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## REPORT OF THE DAIRY AND POULTRY BRANCH

Fiscal Year 1944

1943/44

The principal objective of the Dairy and Poultry Branch in its overall program is to take the steps necessary to insure effective and efficient marketing of dairy and poultry products. In approaching this objective work is directed toward the improvement of the marketing structure by initiating action programs and providing services that will expand the markets for these products in such a way as to obtain higher prices and greater returns to farmers. The programs are carried out by performing functions that assist dealers, processors, and distributors, as well as other marketing agencies, either directly or indirectly through other Government agencies, in reducing costs of marketing and in establishing more orderly marketing.

Superimposed upon the basic programs of the Branch is the job of helping to win the war, which is considered a primary responsibility at this time. Actions designed to further the war take precedence over all other work. The work of the Branch is comprised of about 25 separate but related action programs in addition to assistance given other Government agencies. These latter activities involve the planning of production and distribution goals, as well as advising and consulting with other Bureaus and war agencies on matters directly affecting dairy and poultry marketing problems. The action programs of the Branch have been established (1) to plan for the acquisition, handling, diverting, and distribution of dairy and poultry products to meet Office of Distribution supply requirements and at the same time help other war agencies obtain their supplies of dairy and poultry products; (2) to initiate marketing facilities programs designed to meet essential civilian, military, lend-lease, Red Cross, and other needs; (3) to assist in obtaining priorities for equipment and materials necessary for attaining adequate producing and processing facilities; (4) to administer all dairy and poultry food orders; (5) to cooperate with producers and processors in the development of improved marketing practices and in the administration of marketing agreements; (6) to compile information on the production and processing of dairy and poultry products and conduct research pertaining to the marketing of such products; (7) to administer the collection and dissemination of market news; and (8) to formulate standards for the inspection and grading of dairy and poultry products.

Office of the Chief of the Branch

General supervision and direction of the activities of the Divisions is provided by the Office of the Chief. In addition, the Chief's office assumes direct responsibility for several general Branch activities that are assigned to individuals within the Branch who are best qualified to handle them. These activities, involving transportation, labor, packaging, materials, and marketing economics, are carried on in conjunction with other agencies such as the Office of Materials and Facilities and the Office of Defense Transportation. Another phase of the activity performed by this Office is that of holding industry advisory committee meetings. These meetings are arranged and conducted in





conjunction with the Industry Operations Branch. They formalize and supplement the continuous contacts with the trade that are maintained by the Dairy and Poultry Branch through its regular operations.

### Divisions of the Dairy and Poultry Branch

The Divisions are classified as Commodity Divisions (Poultry Products, Dairy Products, and Fluid Milk) and service or functional Divisions (Order Administration, Inspection and Grading, Market News). Basic data, research and planning for general commodity programs originate in the Commodity Divisions. Consequently, War Food orders and standards and specifications for particular commodities are prepared by them. Programs involving execution and servicing are handled by the appropriate Service Division. The work of the Service Divisions transcends commodity lines and it is necessary for these Divisions to keep in close touch with the Commodity Divisions in determining policies that pertain to particular commodities. This is accomplished by clearing all programs through the Office of the Chief.

### POULTRY PRODUCTS

The principal action programs carried on by this Division are the preparation of plans for dried and shell egg purchases, price support, purchase diversion, and the establishment of Standards and Grades. Other programs that are carried on as supplements of this work are the preparation of food orders, the estimation of supplies and requirements, and the recommendation of processing facilities, controlled material grants, price regulations and rationing.

### ECONOMIC ANALYSIS

#### Poultry and Egg Prices

At the beginning of the 1943-44 fiscal year the chief activity of an economic nature involved obtaining pricing regulations which would enable the Government to procure the poultry and egg products required for Lend-Lease claimants as well as our armed forces and which would make the distribution of civilian supplies of these commodities equitable. Food Distribution Orders 40 and 41 were still in effect because it was not then apparent that we could meet Lend-Lease Orders without controlling into-storage-movement of shell and frozen eggs. Not until October were these orders terminated at which time 5,000,000 cases of shell eggs were made available to civilians from stocks held under FDO-40 and driers' stocks. The Army was offered 1,000,000 cases, more than half of which they accepted.

In order to avoid a repetition of the extremely narrow margin between shell egg prices and the ceiling prices for dried eggs, a different purchase policy for dried eggs was adopted in the 1944 season. The War Food Administration asked the Office of Price Administration for price increases for dried eggs with less moisture and higher palatability scores. OPA's Amendment to MPR-333 incorporating this recommendation was a major accomplishment, for through this method of buying the average quality of dried eggs was greatly improved.

Another accomplishment in connection with liason work with OPA was the development of a zoning price system for eggs and poultry which grew from studies made of freight rates and basing points with the resulting distribution of prices. The egg study led to the Branch's tentative concurrence in the industry's pro-



posal for some egg prices. When some pricing becomes effective a better flow and distribution of the product is expected. It is highly probable that a zone pricing system will also be recommended for poultry.

Other important amendments to MPR-333 were: the creation of ceiling prices for wholesale grades of shell eggs, the revocation of the "assorted eggs" clause (designed to eliminate higher-than-ceiling prices) and the establishment of the current receipt grade. These measures brought all grades of eggs under price control. In the fall a peculiar type of black market in eggs arose. Top grade eggs sold above ceilings, but undergrades and small sizes were in plentiful supply.

#### Price Support

Another important phase of work has been the price support program which provided for the purchase of eggs and poultry for the purpose of holding prices in line with the 90 per cent parity guarantee. The War Food Administration is committed to support shell egg prices during 1944 at not less than 50 cents a dozen U. S. average during the spring and early summer months, and at 34 cents a dozen U. S. average for the year as a whole. Early in 1944 it was apparent that a huge egg surplus was in the offing and that low prices would follow. Plans to support the prices at the guaranteed level were developed. As a price support measure, dried eggs were bought in January and February for February delivery. Maximum prices paid in the Northeast region where the shell egg support program first went into effect were recommended. The support program operated in five variations. These were:

1. Carlot purchases under CCC 1810 of consumer, procurement, and wholesale grades.
2. Purchases of current receipt eggs by agents.
3. Purchases on the Mercantile Exchanges in New York and Chicago.
4. Purchases of graded consumer eggs from producers under the Southern Egg Marketing Program.
5. In Texas only purchases of current receipt eggs under the Southern Egg Marketing Program.

Efforts in this direction were offset by the following factors: The immensity of the surplus itself; the critical shortage of cold storage space; a totally inadequate labor force in produce plants to handle the volume of eggs; the shortage of egg cases and the lack of transportation facilities. At the end of the fiscal year we advocated a modification of our support program to raise producer prices more promptly to support levels by proposing a continuation of carlot purchases (CCC 1810) on a national basis and a continuation of the Southern Egg Marketing Program. To carry out these programs paying prices were established for wholesale and procurement grades as well as consumer grades at or below the lowest ceilings in the country that would also obtain an annual average of 34 cents per dozen.

#### Requirements and Allocations

In cooperation with the Requirements and Allocations Branch, assistance was given in formulating the over-all poultry and egg requirements of WFA for the fiscal year, and helped assign allocations based on available supplies.





By the time Allocation V covering the period April 1, 1944 through March 31, 1945 only dried eggs were formally allocated, the supply position of frozen and shell eggs not demanding an allocation. Late in June (1944) work was started for placing turkeys under allocation. This action was taken in order to give a formal basis for Food Orders and to assist the armed forces in their procurement operations.

At the request of the Combined Food Board recommendations were made regarding the international allocation of eggs and poultry, and post-war supply and demand conditions. Plans were submitted to the Board on poultry rehabilitation in Europe and maximum prudent stockpiles of dried eggs which could be kept under present storage conditions. The section suggested that shell and frozen eggs not be placed under international allocation.

### Poultry and Egg Production Goals

Most of the work on production goals is done in the fall; appraisal following in the late winter to determine their adequacy and the need for controls or adjustments to achieve them. The 1944 egg goal was 2 per cent above 1943 production, the chicken meat goal 3 per cent below 1943 production, and the turkey goal 4 per cent beneath 1943 production. During the first 6 months of 1944 egg production has been running 4.6 per cent above the goals for this period. Because of the depressed prices and enormous surplus accompanying this record production, it has been decided to reduce goals for 1945 to the 1943-44 requirement levels and to lower 1945 production. We have recommended a culling campaign this fall of 100,000,000 hens which is 50,000,000 above the normal culling rate and which if followed will result in 9 per cent fewer hens on farms January 1, 1945 than there were for the same time in 1944. This reduction in hen population is proposed in the interest of obtaining reduced production and in the interest of feed conservation. Also to relieve the feed situation is the recommendation for closing hatcheries in order to curtail the total out-put of chicks and to reduce commercial broiler production. The Hatchery Report for June gives the production of chicks hatched by commercial hatcheries for the first 6 months of 1944 as 1,035,471,000 compared with 1,290,316,000 during the same period last year - a decrease of 19.8 per cent, so progress in this direction is being made.

### Statistical Service

The section's statistical service which maintains numerous series of farm and market prices, agricultural and consumer indices, cold storage reports, as well as purchases of poultry and egg products under programs in which the Poultry Products Division participates provided the material for estimates on production, hatchings, civilian consumption, monthly storage holdings and surpluses of eggs and poultry. This office supplied statistical information on the subjects listed above and related ones not only to members of the Branch but to many persons in other agencies of the Department including the Statistical Yearbook Committee. Studies of storage costs and eviscerated costs were added to data of the statistical service.

### Economic Surveys

The section conducted 15 separate studies during the year. Among the more important of these was the system used in World War I of licensing poultry handlers, buyers and sellers with the view in mind of WFA's considering such a system. The findings of this study proved to be a recommendation to the Poultry and Egg Procurement Board against licensing.



Studies arising from the surplus which will be refined from time to time as the Departmental post-war plans are formalized included: subsidy payments for surplus egg supplies; export subsidies; support prices in Canada, and a stamp plan for veterans and welfare groups.

Methods of rationing eggs and the advisability thereof were studies but not proposed for adoption. An outgrowth of this study was the plan developed in this section whereby hospitals were given egg priority rating from September through December by the issuance of certificates for egg purchases.

#### Purchase and Diversion

During the fiscal year 1943-1944, the Purchase and Diversion Section assisted in initiating and preparing poultry and egg price-support programs, to carry out definite price-support commitments. Five purchase programs of this type were prepared on shell eggs under which approximately 6,200,000 cases of eggs were purchased in surplus areas. A price-support program was also prepared for poultry and held ready for release if and when needed. This Section developed the technical quality specifications used in all purchase of poultry and poultry products and prior to April 18, 1944, concurred in each shell and dried egg offer and maintained complete records of all purchases.

Additional duties consisted of initiating food orders to assure an adequate supply and efficient disposition of poultry and poultry products to meet war-time and essential civilian needs. In the latter part of 1943, our armed forces experienced considerable difficulty in obtaining sufficient quantities of poultry and poultry products. In order to alleviate this situation, Food Orders 40, 40-1, 41, 71, 91, and 97 were initiated and prepared in this Section. These Orders were designed to require processors to sell poultry and egg products to governmental agencies. Considerable time was spent with Quartermaster Corps and other governmental agencies in determining the need for these Orders and outlining plans for purchasing the commodities covered. As a result, governmental agencies were able to purchase sufficient supplies of turkeys, chickens, shell eggs, frozen eggs, and dried eggs, to meet their war-time needs. Reports submitted by poultry and egg dealers pursuant to these Orders were tabulated and checked by this Section to determine compliance with the provisions of the Orders. Considerable work was done with the Army, Navy, War Shipping Administration, and the Veterans Administration in an advisory capacity regarding their plans for procurement programs, purchase prices, and availability of products. Plans were also drawn up for selling WFA stocks direct to the Quartermaster Corps and stocks of both poultry and eggs to the War Shipping Administration. Through direct contact with approximately 200 dealers, assistance was given the Veterans Administration in procuring eggs for hospitals during the Fall of 1943 when production was low. Plans for supplying 12,435 cases of eggs to dealers, for re-sale to Alaska, were also developed.

This Section has maintained egg breaking, egg freezing, and egg drying plants in sufficient capacity to meet WFA requirements. Six technicians have been working in the field supervising the operation of 121 egg drying and 196 egg breaking and freezing plants. Such work consisted of checking and approving operating techniques, and processing equipment used in these plants. Constant touch has been kept with each drier and breaker, and advice given whenever and wherever necessary to provide for a more efficient operation and improvement in the quality of the product manufactured.





Due to these efforts, the dried egg powder manufactured has shown a very decided improvement in quality! A comparison between the records for the first six months of 1943 with those for the same period in 1944 shows that:

1. During the first six months of 1943, 3.2 percent of the dried whole egg powder manufactured had a palatability score below 6, as compared to .4 percent during the first six months of 1944,

and that,

2. During the first six months of 1943, 17.8 percent of the dried whole egg powder manufactured had a palatability score of 6 or below as compared to 8.2 percent for the first six months of 1944,

and that,

3. During the first six months of 1943, 56.7 percent of dried whole egg powder manufactured had a palatability score of 7 or above as compared to 65.8 percent for the first six months of 1944.

The average solids content during June 1944 was 95.98 percent, as compared to 95.54 percent in June of 1943. This increase in the solids of dried whole egg powder has added to the keeping quality of the product. The plate bacteria count for June 1944 averaged 18,743 and 84,085 for May 1944. A weighted average of the plate bacteria counts for all plants is well under 100,000 at the present time, which is a decided improvement over last year. This is due primarily to improved operating procedures through closer supervision. The quality of egg powder produced by individual plants is more consistent this year than last year.

A Southern Shell Egg Marketing Program, operating under Section 32 funds, designed to support prices to producers in 12 Southeastern States was initiated and supervised. In addition to supporting prices to producers, this program was so organized as to develop a more efficient, sound, and stable marketing system in this area. Marketing and handling facilities were entirely inadequate to take care of increased production of eggs to meet war needs and methods of operation were obsolete. Considerable progress was made in the fiscal year 1943-1944 and many of the objectives were met. In 1941-1942, 23 dealers in the Southeastern area operated under contract to purchase eggs from producers on grade and 29,033 cases of eggs were sold to WFA. During the fiscal year 1942-43, 241 contractors operated under this program and sold 19,130 cases of eggs to WFA whereas, during the fiscal year 1943-44, more than 500 contractors were operating and sold, as of June 30, 1944, a total of 261,779 cases of eggs to WFA. This type of program was instrumental in educating producers as to the advantages in selling eggs on a quality basis, and dealers and consumers alike have become quality-conscious. Approximately 100 dealers have established commercial outlets for government-graded eggs and there has been a marked improvement in the quality of eggs produced in the South. Reports received from State and Extension officials, producers, and dealers, indicate that considerable progress has been made as a result of this program in creating better marketing practices and creating new markets in isolated areas.

Work was done in assisting in the development of dried egg packaging programs, quality standards governing the product to be packed, and the establishment of the procedure to be followed in controlling the quality of the product to be packed.

Purchase plans were drawn up in this Section for securing emergency supplies of eggs and poultry products for TEP, Caribbean, and Arctic programs. Plans for





disposing WFA stocks of poultry and egg products not suitable for governmental use were drawn up in this Section.

Further work was performed with the Shipping and Storage Branch in an effort to find and utilize all available storage space for storing the 1944 Spring production of shell eggs. Representatives were appointed in each regional office to assist dealers in placing their eggs in storage. As a result, additional storage space was found and considerable quantities of eggs were preserved for future use.

### Market Standards and Facilities

Market Standards: During the past fiscal year, two new sets of tentative grade and standard specifications have been developed and one set of standards revised. These consisted of Tentative U. S. Standards for Classes and Grades for Live Poultry and Tentative U. S. Standards for Classes and Grades for Eviscerated, Federally Inspected Chickens. Tentative U. S. Standards and Weights for Wholesale Grades for Shell Eggs were modified in the interest of simplicity and to bring requirements into more complete agreement with consumer grades, as well as for purposes of assisting the Office of Price Administration in the preparation of an amendment to MPR 333.

Work was also well started toward the preparation of Tentative U. S. Standards for Classes and Grades for Eviscerated, Federally Inspected Turkeys and grade standards for frozen and dried eggs.

Educational and publicity material prepared during the year included charts showing specifications for official U. S. Standards of Quality for Individual Eggs and a Summary of Specifications for U. S. Grades for Dressed Turkeys. Farmers Bulletin No. 1377 entitled "Marketing Poultry", Farmers Bulletin No. 1815 entitled "Grading Dressed Turkeys", and Farmers Bulletin No. 1694 entitled "Dressing and Packing Turkeys for Market" were revised and reprinted.

Nine summary reports on poultry and egg marketing developments were prepared and distributed to appropriate Federal and State marketing officials, colleges, and trade associations.

These reports are intended to assist in keeping persons dealing with poultry and egg marketing currently informed on grade standards, food order, marketing research, and price ceiling amendments and requirements.

A conference with Canadian marketing officials dealing with grade standards, grading and inspection procedure, and egg and poultry problems was held to develop greater uniformity and general improvements from experiences in both countries.

A study of State laws relating to egg grading, market standards, regulatory and enforcement provisions and practices was begun in cooperation with responsible authority in 42 states. This study was initiated because of existing need for better coordination of effort and to explore the advisability of developing a National Marketing Plan embodying more uniform grade standards and a practical operative plan of enforcement and quality improvement.

In the 42 states, these conferences were attended by representatives of State Departments of Agriculture and State Colleges of Agriculture as well as some trade representatives and Office of Distribution officials. Almost unanimous



opinion developed favoring such a National Marketing Plan, including uniform grade standards. A summary report on this study is now in the process of preparation.

Market Practices. Activities in this field included a compilation of tests made at the Chicago and Philadelphia laboratories on the solid and fat content, solubility indices and palatability scores and plate bacteria counts of whole dried egg powder. This information is distributed on a monthly basis to the drying plants concerned. Summary statements are compiled each month for Dairy and Poultry Branch personnel concerned with improving and controlling the quality of dried egg powder.

Information was accumulated dealing with different makes and types of egg driers. Principal points of consideration included a study of the type of heat employed for drying and the effect of pre-mixing of gas fuel on dried egg powder quality when direct fire drying is employed. Studies were also conducted to determine the effect of temperature and type of dryer upon the presence of Salmonella in dried egg powder.

Tests were conducted in cooperation with the British Food Mission to measure the moisture content and palatability score with identified lots of dried eggs that were checked in each step of processing and distribution from the drying plant to the ultimate consumer in Great Britain. Container studies were initiated with particular reference to the manufacture and use of fibre board egg cases. This work dealt with construction principles and testing of cases under actual shipping conditions in cooperation with the U. S. Forest Products laboratory and the Association of American Railroads. Tests were conducted in Minneapolis to determine the best method of taping fibre cases and packing them in freight cars for shipment. This test definitely proved the importance of careful packing of full cars as required by the Office of Defense Transportation.

During the spring season of peak egg marketings, time was devoted, in cooperation with the War Production Board, to assisting with the emergency problem of securing an additional quantity of egg cases and case materials. Similar activity was necessary in connection with container problems for frozen and dried eggs.

Facilities: During the year this Unit processed approximately 5,000 requests for priority to purchase various types of egg and poultry processing and labor-saving equipment which required the use of critical materials. Approximately two-thirds of these applications were for poultry processing equipment. This work functioned to aid processors in securing essential equipment and at the same time served as an agent of the War Production Board in sifting out non-essential requests for the limited supply of available equipment.

Cooperation in the shell egg price support program was also provided through the expedited release of equipment and frozen egg containers to egg breaking firms having Government contracts.

During the period of January 1 to June 30, 1944, the release of approximately 10 million containers for frozen eggs was expedited through a cooperative working agreement with the Containers Division of the War Production Board.

Approximately 60 applications for five-year amortization of the cost of poultry and egg facilities acquired for war purposes were reviewed. Approval or denial of these requests in each case was based upon established policy concerning wartime essentiality.







General Activities. Through the Consumer Relations Subcommittee of the Department Poultry Committee, a consumer survey to determine reactions of housewives in Chicago to the use of dried eggs was conducted to explore the possibilities of domestic use of dried eggs after the war. Consumer campaigns were also initiated to stimulate greater consumption of shell eggs to relieve the abundant supply during the flush production period and to stimulate domestic consumption, home canning and frozen food locker preservation of poultry during the third quarter of heavy marketing. These educational campaigns were inaugurated to relieve the abundant supply particularly because of shortage of storage facilities, containers, labor, and transportation.

#### Department Poultry Committee

Due to the fact that poultry and egg activities are carried on by several agencies within the Department and that it is necessary that such work be coordinated, a combined committee made up of representatives of such offices was set up by the Secretary's Office several years ago. Organizational changes, resulting from war activities, necessitated the reorganization of this Committee in January of this year under the Chairmanship of W. D. Termohlen, Chief of the Poultry Products Division. The Committee now represents 10 agencies of the Department with 16 members. As reorganized, this Committee serves as a central point of reference for appropriate matters relative to poultry and eggs, and to facilitate interchange of information and discussion of operating problems and programs which concern more than one agency.

A considerable part of the Department Poultry Committee activities is carried on by the 12 sub-committees that concern themselves with such subjects as: Economics, Specifications and Standards, Priorities and Facilities, Research, Consumer Relations, Procurement, Feed, Hatcheries, By-Products, Diseases, Rehabilitation, and Post War Marketing Facilities.



MANUFACTURED DAIRY PRODUCTSSupplies and Utilization

Maximum supplies of milk and its products as war foods continued to be a major objective in 1943-44 agriculture. Accomplishment of this objective was sought in two ways. One was to maintain or if possible increase milk production on farms. The other was to achieve a still further increase in supplies of milk solids for human food, by farm sales of more whole milk instead of farm-separated cream.

Although seriously handicapped by wartime shortages of labor and equipment, as well as the shortage of feed grain supplies in relation to the large numbers of all livestock, farmers responded to the need for maintaining production. They were aided by favorable pasture feeds and increased returns in the form of production payments. They produced 118 billion pounds during the fiscal year. Although a billion pounds less than the record volume of the previous year, production was  $11\frac{1}{2}$  billion pounds more than in 1939, an increase of 11 percent.

Farm uses of milk remained about the same as in 1939. All of the increase in production went into human food outlets. In 1943-44 farmers sold either the milk or cream of 97 billion pounds of whole milk to processors, handlers and retail outlets, an increase of 17 percent over their sales in 1939.

In terms of total fat and nonfat milk solids, the increase in supply for human food was even greater and established an all-time record volume in 1943-44 as more farmers delivered whole milk instead of farm-separated cream and thereby made available more nonfat solids for human consumption. Whole milk contains nearly 9 pounds of nonfat milk solids for each 4 pounds of butterfat, whereas cream contains approximately 1 pound of nonfat solids for each 4 pounds of butterfat. From 1939 to 1943-44, farm sales of cream declined while farm sales of whole milk increased more than total milk production. The 1943-44 farm sales of milk and cream contained 25 percent more total milk solids than the 1939 sales. The additional milk solids appeared in market channels largely in the forms of more fluid milk, evaporated milk, cheese, and nonfat dry milk solid.

Total demands in excess of available supplies presented serious utilization and distribution problems in 1943-44. It became necessary to extend direct or indirect controls covering substantially all milk and its products, to divide the total milk supply between fluid milk and manufactured dairy products uses, to adjust the relative supplies of the various manufactured dairy products, to divide supplies of such products among civilian, U. S. war services, lend-lease, and other uses, and to encourage equitable distribution of available civilian supplies.

In developing allocations and controls, the over-all supplies of both fluid milk and dairy products for all uses had to be considered. Because of changes in the relative supplies of fat and nonfat milk solids made available for human food, as well as the differences in solids content of milk and its products in different forms, it is possible to present only an approximation of the division of the total milk supply among military, lend-lease and civilian uses. A more accurate division of the individual products can be presented.

The requirements of the U. S. Armed Forces and other war services for milk and dairy products were equivalent to about 10 percent of the total milk production, and included approximately  $1\frac{1}{2}$  billion pounds of fluid milk and cream, the





equivalent of 1 billion pounds of milk as ice cream, 24 billion cases of evaporated milk, 140 million pounds of cheese, 60 million pounds of dried whole milk, and 50 million pounds of nonfat dry milk solids. In developing and procuring those requirements, representatives of the Armed Forces were in constant consultation with the Office of Distribution concerning supply problems.

Quantities of dairy products supplied under the lend-lease program were equivalent to about 4 percent of total milk production. They included 10 million cases of evaporated milk, 627 thousand cases of sweetened condensed milk, 225 million pounds of cheese, 188 million pounds of nonfat dry milk solids, 25 million pounds of dry whole milk, and 97 million pounds of butter, including Carter's Spread and butteroil.

The war cut off European sources of supply of dairy products to the United Kingdom which normally had relied largely on imports. Shipping shortages and distances reduced its imports from New Zealand and Australia while the movement of U. S. forces to the Pacific war area placed additional demands on those sources of supply. Dairy products supplied to the United Kingdom were largely evaporated milk, cheese, nonfat dry milk solids, and dried whole milk. Large proportions of these supplies went to the British Armed Forces.

Dairying which is one of the principal agricultural industries of Russia was seriously curtailed by the invasion and retreat of the Germans. However, limited shipping space for both food and armaments limited the Russian requests for dairy products to less than the urgent needs. Products supplied to the USSR, all of which went to the Russian soldiers, were largely butter, cheese, nonfat dry milk solids and dried whole milk.

On a milk solids basis, civilians received during the fiscal year approximately the prewar volume of milk and its products. Larger consumption in the form of fluid milk about offset the smaller consumption in the form of dairy products.

Rapidly increasing milk production kept up with the total demands until 1943 and only minor restraints were placed on rising civilian consumption until that year. By 1943 civilian consumption of fluid milk and cream had increased almost as much as total milk production, leaving little more milk and cream than in 1939 for manufacture into dairy products to be shared in both civilian and direct war uses. It was apparent that, as total milk production leveled off, a continued increase in fluid milk consumption would result in a corresponding decline in supplies of dairy products. With growing military and lend-lease needs, the result would have been a further drastic decrease in civilian supplies of butter, cheese, evaporated milk, nonfat dry milk solids and other dairy products for civilians. Therefore, war food orders were issued during the fiscal year to check sales of fluid milk and cream and to help maintain supplies of manufactured dairy products. The supply consumed as fluid milk and cream in 1943-44 was equivalent to about 43 billion pounds of milk. This was a record volume, 8 percent more than in the previous year and 30 percent more than in 1939. This increase reflected the tremendous rise in civilian demand which was unrestricted until steps were taken during the fiscal year to check expanding sales of fluid milk. Consumption would have increased more without the restrictions.

It also was necessary to extend additional controls to certain dried milk products, cheeses other than cheddar, and bulk condensed milks, to help maintain production of the principal dairy products needed in large volume for civilian,





military and lend-lease uses. Uniform dollars and cents price ceilings already had been placed on butter, cheddar cheese, evaporated milk and nonfat dry milk solids. Also, set-aside orders requiring manufacturers to reserve percentages of their butter, cheddar cheese and nonfat dry milk solids production for sale to government agencies had been issued, and a similar voluntary plan had been adopted by the evaporated milk manufacturers. These programs were continued and limited civilian supplies of those products in accordance with the allocations. However, milk and cream were being diverted rapidly to the manufacture and sale of other products with more favorable prices and unrestricted outlets. This type of diversion began to curtail seriously the supplies of the principal dairy products. During the fiscal year War Food Orders were issued to restrict sales of dried milk products and production of cheeses other than cheddar. These controls were straightened by the establishment of uniform dollars and cents price ceilings on most types of cheese and condensed milks by OPA.

Developments in supplies, changes in requirements and the operations and effects of control programs were continuously studied to determine necessary adjustments as well as the possibilities of relaxing or removing controls as conditions warranted.

Evaporated milk production during the fiscal year was 73 million cases, an increase of 23 million cases over 1939 production. This was a moderate increase over the previous year when government stocks were large and production was curtailed from the 1942-43 record volume. Meanwhile, improved shipping conditions and the movement of troops overseas resulted in an increase in military requirements and lend-lease requests for this product. However, because of the limited milk supplies available, it was not possible to step-up production enough to satisfy all demands. During the fiscal year, government agencies acquired about 19 million cases for the U. S. war services and 12 million cases for lend-lease uses. Large commercial stocks declined 1 million cases. Civilians received approximately 43 million cases, compared with 50 million cases in 1939. While they received more fluid milk, the shortage of civilian supplies of evaporated milk in relation to the demand presented problems of equitable distribution which necessitated continued rationing of this product by OPA.

Cheddar cheese production was 762 million pounds, nearly equal to production in the previous year and 45 percent above 1939 production. Continued production payments to factories, extension of controls to other products and establishment of uniform price ceilings on other types of cheese helped maintain the production of cheddar cheese. However, civilian demand, military requirements and lend-lease needs exceeded the available supplies. Continuation of the set-aside order reserving part of the production for use by the Armed Forces, lend-lease and Red Cross war prisoner packages, as well as OPA rationing of civilian supplies were necessary. About 382 million pounds of the 1943-44 production was reserved for U. S. war services, lend-lease, and Red Cross. Civilians received 400 million pounds, compared with 1939 consumption of 559 million pounds. Civilians received approximately 230 million pounds of other types of cheese produced domestically or imported, compared with 215 million pounds consumed in 1939. To help maintain production of cheddar cheese and other major dairy products, restrictions were placed on the production of the other cheese in early 1944.

Dried whole milk production totalled 152 million pounds, an increase of nearly 50 percent over the previous year and six times the 1939 production. The sharp increase was the result of greatly increased military requirements and increased production for domestic outlets. In early 1944, restrictions were





placed on domestic sales of dried milk products and compounds. Dried whole milk was one of the most important foods for the armed forces of the United States and allied countries. Also, it was included by the Red Cross in war prisoner packages. By the end of the fiscal year, at least three-fourths of the dried whole milk produced was going into these direct war uses. However, civilian consumption of dried whole milk and dried milk products, other than nonfat dry milk solids, exceeded the prewar volume.

Nonfat dry milk solids production for human food was 513 million pounds, slightly less than the previous year's record volume, but 90 percent greater than 1939 production. Production of this product, after allowance for seasonal variation, declined seriously during the last half of 1943 but stepped up again during the first half of 1944. The extension of controls to other outlets for milk, an increase in the ceiling price of  $1\frac{1}{2}$  cents per pound on roller powder and the milk production payments helped stimulate powder production. Nonfat dry milk solids were rated high in importance for military and lend-lease uses. Of the 1943-44 production, 348 million pounds were reserved for those uses by continuation of the set-aside order. About 165 million pounds were available for domestic uses, compared with 1939 human consumption of 285 million pounds. The limited supply helped meet important domestic needs, such as buttermilk in areas of short fluid milk supplies as well as in making bakery and other prepared foods.

Creamery butter production was 1,580 million pounds, a decline of 10 percent from production in the previous year and in 1939. This decline was due largely to the use of more whole milk in the forms of fluid milk and other whole milk products. About 315 million pounds of the fiscal year's production, or 20 percent, was reserved for the U. S. war services, lend-lease and similar uses. The civilian supplies were 1,265 million pounds of creamery and 330 million pounds of farm butter, or a total of 1,593 million pounds. In 1939, a year of surpluses and record supplies, civilian consumption was 1,846 million pounds of creamery butter and 429 million pounds of farm butter, or a total of 2,275 million pounds.

Inability of government agencies to buy butter for the war services led to issuance of the set-aside order in early 1943. It was continued through September of that year to carry out a plan for government agencies to acquire supplies from the heavy producing months to meet requirements through the 1943-44 winter, so that civilian supplies would be reasonably steady throughout the period. Difficulties of estimating prospective production and the quantities that would be set aside during the first season's operations of the order, as well as subsequent adjustments in military and lend-lease requirements, resulted in a carry over of 45 million pounds of WFA stocks. These stocks were processed into the more stable forms of Carter's Spread and butteroil to be applied on the 1944-45 fiscal year's lend-lease requirements of butter, reducing correspondingly the quantities of butter to be acquired from 1944 production for that use. As a result, resumption of the set-aside order in 1944 was delayed until April when only 10 percent of production was reserved for the armed forces. Civilians received about 120 million pounds from March and April production, compared with an average of about 100 million pounds monthly during the previous 12 months. However, with lower butter production than in 1943, civilian supplies again were averaging about 100 million pounds at the end of the fiscal year.

A large proportion of the butter reserved for government agencies was for the U. S. Armed Forces. However, civilians appeared to notice the shortage of butter more than any other food. Part of the problem was the relatively smallest civilian supplies in the areas farthest from the major producing areas. Efforts were made by OPA to improve the distribution through rationing.





Efforts were made to coordinate closely the procurement activities of the government agencies, the war food orders and other programs. For this purpose, a Dairy Procurement Board representing the War Food Administration, the Armed Forces, and the Office of Price Administration was established and representative of those agencies meet weekly to review problems of dairy products supplies, government procurement, war food orders, price regulations, rationing and packaging, and to consider advisable actions for handling such problems.

### Price Support

The production of milk involves more labor and equipment and more general farm operators than any other major agricultural product. Difficulties of maintaining total milk supplies became increasingly evident during the fiscal year. Steps were taken to increase returns to farmers to help them overcome the increasing shortages and costs of labor, equipment and feeds. Following earlier price support announcements, War Food Administration announced in March 1944 that during the remainder of the calendar year, returns to producers would be support at levels of not less than 30 cents per hundred pounds of whole milk or 4 cents per pound of butterfat above the returns reflected by the following prices for butter, cheese and nonfat dry milk solids; Butter, U. S. Grade A, 46 cents a pound, Chicago basis; Cheddar cheese, U. S. Grade A, 27 cents a pound, Wisconsin basis; and nonfat dry milk solids, U. S. Extra Grade, Spray 14½ cents and Roller 12½ cents a pound, f.o.b. midwest plant basis.

As a part of the program to increase returns to producers, on recommendation of the War Food Administration, the OPA raised the price ceilings on roller process nonfat dry milk solids from 12½ to 14 cents per pound.

A combination of support programs were in effect during the fiscal year. They included: Purchases of dairy products by the Office of Distribution and other government procurement agencies for the war services, lend-lease and similar uses at ceiling prices; WFA payments to cheese factories on cheddar cheese production, for distribution to milk producers; WFA payments on fluid milk to handlers in certain markets to enable them to raise prices to producers; WFA production payments to producers on milk and butterfat; and Federal orders requiring handlers to pay not less than specified minimum prices for milk in certain milk marketing areas.<sup>1/</sup>

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<sup>1/</sup> Following the roll-back in butter prices in early June 1943, the Defense Supplies Corporation of RFC made payments to creameries of 5 cent per pound of butter produced.



### Dairy Products Purchases

Major purchase operations for dairy products were carried out by the Office of Distribution during the 1943-44 fiscal year to acquire products for war uses and price support. All of the dairy products purchased were for lend-lease, Red Cross, Territorial and similar uses. The purchases by the Office of Distribution, Armed Forces and other agencies were made at price ceilings. These purchases adequately supported prices because of the large consumer demand for the limited civilian supplies.

Purchases of dairy products by the Office of Distribution during the fiscal year included 90 million pounds of butter, 261 million pounds of cheese, 12 million cases of evaporated milk, 2 million cases of sweetened condensed milk, 274 million pounds of nonfat dry milk solids, and 38 million pounds of dried whole milk, at a total value of \$185,000,000.

Butter and natural cheddar cheese purchases for WFA were made largely through the Dairy Products Marketing Association which purchased such products as agent of the Administration and under the direction of the Office of Distribution. Other products were purchased directly from the markets by the Office of Distribution.

The purchases were made largely by accepting offers from manufacturers, receivers, assemblers, and processors in carlots. For most of the products, the largest purchases were made during the summer months of heavy production in accordance with the plan for government agencies to procure seasonally so as to encourage a reasonably steady flow of supplies into civilian outlets throughout the year. This involved storage of supplies during the summer months to help meet winter war requirements.

Stocks were rotated and periodically inspected to assure maintenance of quality and condition. The products were stored in accordance with commercial storage practices and the results were favorable considering the large volumes of products acquired from nearly all manufacturers in all areas and the critical storage situation. Much less than 1 percent of the dairy products stored had to be disposed of because of decline in quality and unsuitable packaging, and most of these small quantities were suitable for human food uses. A small quantity of cheese was sold to the domestic trade. This included a few lots which had been purchased as undergrade for price support reasons and a few other lots which were suitable for immediate distribution but not for extended export shipment. In accordance with usual storage experience, a small percentage of the butter stocks developed storage flavors and was either sold in the usual outlets for it or was processed. All of it was suitable for human food. About 800,000 cases of evaporated milk were distributed for school lunches and other institutional uses. This milk was largely supplies that had been acquired in domestic cases and with relief labels in the previous year when shortage of shipping curtailed lend-lease shipments and price support purchases were necessary pending adjustments in production.

### Cheese Production Payments

Continued payments to factories on production of cheddar cheese at a basic rate of  $3\frac{3}{4}$  cents per pound maintained cheddar cheese production during the fiscal year at nearly the previous year's volume. The program, started December 1, 1942, was necessary because prices of cheddar cheese were low relative to most





other dairy products when ceilings were established by OPA. The payments, equivalent to about 35 cents per hundred pounds of milk, were necessary to enable cheddar cheese factories to pay as much for milk as its value in other outlets, and to prevent a drastic decline in cheese production. Without either the payment program or an increase in the ceiling price, cheddar cheese production would have rapidly and drastically declined, because most cheddar cheese factories would have closed or shifted to production of other types of cheese not suitable for military and lend-lease uses.

CCC bore the full cost of payments on all cheddar cheese produced until March 1, 1944 when a revised plan, coordinated with an increase in price ceiling on sales of the major government procurement agencies, limited the CCC cost to payments on cheddar cheese for civilian consumption and shifted the cost of securing production for military, lend-lease and similar uses to the procurement agencies. The original plan adopted December 1, 1942 contemplated that CCC would make the payments to factories on all cheddar cheese but that government procurement agencies would pay the full cost of securing production needed for the Armed Forces, lend-lease and similar uses, by purchasing cheese at the domestic ceiling and directly reimbursing CCC in the amount of its payments to factories on such cheese. While Public Law 151, 78th Congress, extending the life of Commodity Credit Corporation appeared to provide for such reimbursement, arrangements for direct reimbursement were blocked by anti-subsidy provisions in military and lend-lease appropriation acts. However, in view of the provisions in the CCC legislation requiring reimbursement, alternative plans for limiting CCC payments to civilian cheese were studied. Because of the complications of other possible plans involving two-price systems, the plan finally adopted, effective March 1, 1944, provided for CCC to continue its payments to factories on all cheddar cheese produced, for OPA to raise the ceiling on sales to specified government agencies by an amount equal to the weighted average CCC payment per pound of cheese, and for CCC to recover its payments from factories or assemblers on cheese sold to such agencies. Under this plan, for example, assemblers buy cheese from factories at the domestic ceiling, sell it to the government agencies at the higher ceiling and directly or indirectly remit the difference to CCC.

The revised plan may be summarized as follows:

1. CCC continued its payments to factories on all cheddar cheese produced, by purchasing the cheese at 27 or 27 1/2 cents per pound, depending upon moisture content, and then simultaneously selling it back to the factories at 23 1/4 cents, the basic domestic ceiling. Factories continued to file monthly claims for the difference of 2 3/4 or 4 1/4 cents and receive the payment, upon condition that they distributed all of the payments to milk producers in addition to prices otherwise paid for the milk.
2. OPA established ceilings on sales of cheddar cheese to the WFA, Army Quartermaster Market Centers and Depots and Navy Market Offices, equal to the domestic ceiling plus 3.8 cents, the weighted average CCC payment to factories.
3. By amendment to the cheese set-aside order, WFO-15, assemblers authorized to handle set-aside cheese were required to remit directly or indirectly to CCC 3.8 cents per pound of cheddar cheese sold by them to the specified government agencies. The CCC offer contained a similar provision with respect to direct sales by factories to such agencies. In regard to sales to WFA, the procedure was simplified by arrangements for the Office of Distribution to deduct the 3.8 cents from the purchase price and remit it





to CCC for the account of the seller. On sales to the Army and Navy, the sellers remitted the 3.8 cents to CCC. From December 1, 1942 through June 30, 1943, CCC paid \$11,363,000 on 301 million pounds of cheese. During the 1943-44 fiscal year, total payments were \$29,424,000 on 777 million pounds. Deducting remittances of \$3,524,000 on sales to the government agencies, the net CCC payment totaled \$25,900,000 during the fiscal year.

Financed by CCC, the program continued to be administered by the Office of Distribution using the services of Dairy Products Marketing Association in carrying out the mechanics of the program. During the fiscal year 22,528 claims from about 1,900 factories were received, processed, and paid. The cost of operating the mechanics of the program during the fiscal year was \$92,000 or one-third of one percent of the total payments.

The program operations, results and problems continued to be analyzed to determine advisable changes. For example, effective February 1, 1944, the rate of payment on low moisture cheese was increased from 4 to 4 1/4 cents to fully offset the lower yield and encourage the production of low moisture cheese, which is particularly suitable for export shipment and handling. Other minor changes in the program were also made.

#### Milk and Butterfat Production Payments

Beginning October 1, 1943, WFA made production payments to producers on whole milk and butterfat sold by them. Financed by CCC, the payments were made directly to producers through county ADA committees. The Office of Distribution cooperated with the Office of Production in the development of the program. With reorganization in early 1944, primary responsibility for administration of the program was transferred to the Office of Distribution effective March 1.

The payment rates were adjusted from time to time, varying seasonally as well as by areas, to allow for differences in increased production costs. However, from October through the remainder of the fiscal year the payment rates in nearly all areas were well above the minimum support commitment of March 1944. The minimum rate on whole milk was 30 cents per hundred pounds at the start of the program. The rates subsequently were increased in most areas and the minimum rate was 50 cents in March and April 1944. It then was lowered seasonally to 35 cents for May through August 1944. Payments in some areas were considerably above the minimum rates. Meanwhile, the minimum rate on butterfat was increased from 4 cents in October to 8 cents in March and April and then lowered to 6 cents per pound for May to August. The butterfat rate varied by areas until March 1944 when a uniform rate on butterfat applied throughout the country.

For the country as a whole, the payments on whole milk averaged approximately 37 cents from October 1943 to February 1944, 55 cents in March and April and 40 cents in May and June. The payments on butterfat averaged 4.3 cents in October to December, 5.1 cents in January and February, 8 cents in March and April and 5 cents in May and June.

In April 1944, it was announced that the minimum rate for whole milk would be 60 cents and the rate for butterfat would be 10 cents during the period September 1944 through March 1945.

Preliminary reports indicated that the total milk and butterfat payments from October 1943 through June 1944 approximated \$250,000,000. Payments were made to more than 1 1/2 million producers.





The payment rates were relatively larger on whole milk than on butterfat. In order to develop the potential source of nonfat milk solids for human food in skim milk ordinarily fed to livestock or wasted on farms, producers have been encouraged since early 1941 to market whole milk instead of following their usual practice in many areas of separating milk, retaining the skim milk and marketing the cream. This shift has been encouraged by relatively higher returns for whole milk than for butterfat in farm-separated cream compared with the normal prewar relationships. By 1943, the shift had slowed up and needed additional stimulus was provided by the relatively higher production payments on whole milk.

While it is not possible to determine the precise effective of the payments, milk production unquestionably would have declined more seriously without them. Feed prices as well as other costs had increased. For the corresponding 9 months, October to June, one hundred pounds of milk would buy 126 pounds of grain and other concentrates fed to milk cows in the 1936-40 prewar period. The rate was 135 for the same 9 months in 1941-42 when milk production was increasing. It was 142 in 1942-43 when production levelled off. The ratio declined in the summer of 1943 and milk production began to drop below a year earlier. During the October-June period of 1943-44, the ratio averaged 138 with the milk production payments, whereas it would have averaged only 122 without the payments. The milk and butterfat payment program checked the downward trend and helped to maintain production during the remainder of the fiscal year at nearly the level of the previous year.

#### Dairy Processing and Marketing Facilities

The major facility problems of the dairy and poultry industries during the fiscal year included the maintenance of existing facilities through repairs and replacements of equipment for handling and processing milk and dairy and poultry products, and further expansion in milk drying facilities. The Office of Distribution rendered assistance by developing the needs of the dairy and poultry industries as a basis for allocations of materials, by reviewing, investigating and recommending priority applications, and by encouraging and financing establishment of milk drying facilities in areas where additional whole milk was available. Further assistance also was rendered in securing transportation, packages and other supplies essential for handling these products.

In the program to increase supplies of milk solids for human food, farmers were encouraged to market whole milk in the areas where they normally had separated cream on the farms, sold the cream and retained the skim milk containing nonfat dry milk solids on the farms. Additional equipment was needed in those areas to handle the whole milk. During the fiscal year, priority applications for 91 milk drying units were recommended. Many of them were placed in operation and the remainder were being installed at the end of the year. In addition, priorities were recommended for equipment to enlarge many existing facilities.

Most of the added equipment was for manufacturing nonfat dry milk solids. However, in areas where high-quality milk was available, particular attention was given to installing suitable processing and packaging equipment in existing and new facilities for making dried whole milk needed for direct war uses.

Expansion of facilities for drying whey and buttermilk for both human food and animal feed, as well as additional facilities for producing milk sugar needed in the manufacture of penicillin, was encouraged.



The program for financing milk drying facilities with lend-lease funds, where other financing was not available, was continued into the fiscal year. Eleven additional projects were approved. In this program, War Food Administration entered into contracts with farmers cooperatives under which the cooperatives agreed to construct the facilities, sell them to the Administration and then lease them for operation, with the option of buying the facility after the emergency.

Also, assistance was rendered to the dairy industry in securing essential trucks, containers, and other supplies. The Office of Distribution cooperated with the War Production Board, Office of Defense Transportation, Office of Price Administration and other agencies to help meet the needs of the industry. It was necessary to devote continued attention to the development of suitable export containers for dairy products. For example, it was necessary to develop stronger evaporated milk cans that would stand shipment and rough handling on the fighting fronts.

### Dairy Products Standards

Federal standards and specifications developed by the Office of Distribution are the basis of its Federal grading and inspection service which is available to the dairy industry and which also is used in procuring dairy products for lend-lease and similar programs. Quality problems continued to receive attention during the fiscal year, and advisable revisions in existing standards, as well as the needs for new standards and specifications for additional products, continued to be studied. For example, assistance was rendered cheddar cheese factories in correcting difficulties of making cheese of satisfactory quality for military uses and lend-lease shipment. Also, OPA was assisted in developing definitions of many types of cheeses in connection with establishment of dollars and cents price ceilings. Specifications for special products needed for special war uses were developed. In cooperation with the Army, particular attention was devoted to the development and revision of standards for producing and packaging of dried whole milk of suitable high keeping quality for overseas shipment to the Armed Forces of the United States and our Allies.

### FLUID MILK

Principal activities of the Dairy and Poultry Branch with respect to fluid milk marketing and distribution programs during 1943-1944 centered around 5 types of programs (1) the continued operation of marketing agreements and orders under the Agricultural Marketing Agreement Act of 1937, as amended, (2) the initiation and operation of the fluid milk conservation program establishing sales quotas for milk dealers in 138 major cities, (3) the adjustment of fluid milk prices and price ceilings to meet increases in costs and war demands, (4) the development and operation of fluid milk purchase and resale programs to facilitate the payment of higher prices to producers without raising retail prices, and (5) special programs to help relieve local shortages or local surpluses of milk.

### Milk Marketing Agreements and Orders

There were 26 marketing agreement and order programs for fluid milk in effect during all or part of the year ended June 30, 1944. Approximately 125,000 producers, producing about 13 billion pounds of milk worth almost 424







million dollars, were under these marketing programs during the year.

Eighteen hearings were conducted during the year to consider the issuance of new programs or amendments to existing programs. New programs effective during the year were orders for St. Joseph County, Indiana, July 1, 1943, and Wichita, Kansas, June 1, 1944. The latter program replaced a license, issued under the original Agricultural Adjustment Act, which has been in effect since 1934. Final action on the issuance of new orders for Suburban Chicago and Clinton, Iowa, was pending at the year's end.

Amendments were made effective during the year to the orders regulating the handling of milk in the Quad Cities, Cincinnati, St. Louis, Duluth-Superior, Ft. Wayne, Louisville, Boston, and Fall River markets. Action was still pending on proposed amendments to the Cincinnati, Lowell-Lawrence, and Philadelphia orders. A second proposed amendment to the Quad Cities order was not approved by a sufficient number of producers in the referendum and, therefore, was not issued.

No action was taken as a result of hearings held last autumn to consider amendments to increase the Class I prices in the New Orleans, Philadelphia, and Washington, D. C. markets because of the milk production payments program inaugurated by the War Food Administration.

Many of the marketing orders have provisions for seasonal price reductions for the summer months. In order to encourage producers to maintain their high level of production, provisions of this type were suspended in a number of markets, including Chicago, Louisville, New Orleans, and Toledo.

In accordance with the policy of terminating all inactive programs, licenses or orders were terminated during the year in the Cincinnati, Shreveport, Kalamazoo, Battle Creek, Leavenworth, Denver, and Minneapolis-St. Paul markets. The Wichita license was suspended on June 1, 1944 when the new order for that market became effective.

Producers in several markets not now under Federal regulation have expressed interest in the issuance of marketing orders to regulate milk handling. Consideration is being given to the issuance of orders for Springfield, (Mass.), Detroit, Rockford, Freeport, Dayton, Columbus, and the upper Ohio River Valley.



Estimated number of producers, estimated volume of milk, and estimated total value of pool, in various fluid milk markets under marketing agreement programs, July 1, 1943 - June 30, 1944

Market	: Number :	: Annual :	: Total value
	: of : producers:	: Volume :	: of pool
	Number	1,000 pounds	Dollars
Boston, Massachusetts	13,969	1,262,005	41,627,112
Chicago, Illinois	17,769	2,411,576	76,352,666
Cincinnati, Ohio	4,799	246,504	8,334,384
Dubuque, Iowa	180	20,013	579,153
Duluth-Superior, Minn.-Wis.	1,299	78,519	2,391,799
Fall River, Massachusetts	270	33,764	1,446,808
Port Wayne, Indiana	776	46,134	1,569,776
Kansas City, Missouri-Kansas	1,642	147,298	5,319,065
La Porte County, Indiana	194	15,912	541,950
Louisville, Kentucky	1,674	157,009	5,751,450
Lowell-Lawrence, Massachusetts	928	66,875	2,695,188
New Orleans, Louisiana	2,170	131,809	4,737,514
New York, New York	52,225	5,666,917	184,934,081
Omaha-Council Bluffs, Nebr.-Iowa	2,533	117,141	3,494,156
Philadelphia, Pennsylvania	9,524	909,856	35,287,027
Quad Cities, Illinois-Iowa	1,172	81,513	2,422,973
St. Joseph County, Indiana <u>1/</u>	644	47,707	1,742,835
St. Louis, Missouri	3,691	328,900	11,481,943
Sioux City, Iowa	523	50,762	899,881
Toledo, Ohio	2,156	123,480	4,136,624
Topeka, Kansas	184	15,354 <u>2/</u>	534,442
Twin Cities, Minnesota <u>3/</u>	5,374	371,760	11,135,157
Washington, D. C.	1,592	429,511	14,848,570
Wichita, Kansas	382	35,328 <u>4/</u>	1,248,693
Total	125,470	12,775,683	423,513,247

1/Order effective July 1, 1943.

2/Reported as butterfat and converted to milk equivalent.

3/Agreement suspended April 1, 1944.

4/June 1 through August 15, 1943, reported as butterfat and converted to milk equivalent.





Legal action was initiated against only 20 handlers during the 1944 fiscal year which indicates that handler compliance with the milk marketing orders continues to be generally satisfactory in all markets. On June 1, 1944, there were approximately 50 active cases pending before the courts.

Approximately 20 cases were disposed of, or acted upon, by the courts and the rulings were favorable to the Department in most cases. A significant decision involving this program was rendered by the Supreme Court on February 28, 1944, in the case of Stark et al v. Wickard, and action in which a group of independent producers shipping milk to Boston sought to enjoin the Secretary from carrying out the provisions of Order No. 4 calling for payments to cooperative associations. The lower courts had dismissed suit for failure to state a claim upon which relief could be granted but the Supreme Court reversed the ruling, holding that such producers have a legal cause of action to obtain a review of such provisions.

Two other important decisions were rendered involving the New York order. In Queensboro Farm Products, Inc., v. Wickard, the Circuit Court (2nd Circuit) further established the validity of the method of classifying milk provided for in Order No. 27. In New York State Guernsey Breeders' Cooperative, Inc., v. Wickard, the Circuit Court affirmed the ruling of the Secretary denying Guernsey producers exemption from Order No. 27 or a substantial differential in their favor (beyond the allowance made all producers) based on asserted superior quality, greater production cost, and increased consumer demand.

The Circuit Court (7th Circuit) in Barron Cooperative Creamery et al. v. Wickard held that the administrator of the Chicago order had no authority prior to the amended order effective May 1, 1940, to require a handler "... to look beyond his own disposition of the milk." The court invalidated the market administrator's action in reclassifying upward milk which was used by one handler in manufacturing butter and subsequently used by another in making ice cream.

Thirteen petitions were filed under section 8c(15)(A) of the Agricultural Marketing Agreement Act of 1937, as amended. These 15(A) petitions, as they are called, generally challenge the interpretations of orders and in a few cases, attack the validity of an entire order, alleging that economic conditions have so changed that there is "no foundation in law or fact for the continued existence of said order." Eighteen such petitions were disposed of. Five of the 18 were handled by consent dismissals; the relief requested by the petitions was denied in 11 cases and granted in 2 cases. As of June 30, 1944, there were 42 15(A) petitions yet to be disposed of by the Secretary.

#### Milk Price Ceiling Adjustments

The retail prices for milk and cream were placed under price ceiling control earlier than the other principal dairy products. Also prices to producers for milk for fluid use continued to be the only producer price for milk or cream at the producer level which are subject to price ceiling control. This combination of circumstances has created a continuing problem with respect to the level of fluid milk prices to producers in many local markets particularly those around which milk and cream are sold for both fluid and manufacturing purposes.

For the United States as a whole, the average price paid to producers by condenseries for 3.5 percent milk was \$1.85 per hundred pounds in June 1942,



\$2.59 per hundred pounds in June 1943, and \$3.61 per hundred pounds in June 1944. The price received by producers for all whole milk sold at wholesale (average test) was \$2.32 per hundred pounds in June 1942, \$3.02 per hundred pounds in June 1943, and \$3.10 per hundred pounds in June 1944. The average price paid by dealers for 3.5 percent milk for city distribution as milk and cream was \$2.75 per hundred pounds in June 1943, \$3.18 per hundred pounds in June 1943, and \$3.23 per hundred pounds in June 1944. Between June 1942 and June 1944, the condensery price had increased by 76 cents per hundred pounds, the producer price for all milk by 78 cents per hundred pounds, and the price for milk for city distribution had increased 48 cents per hundred pounds. This discrepancy was greater during the fall months when both the condensery price and the price for all milk were somewhat higher. It was also greater than that indicated by these figures in the case of many individual markets in which needed price adjustments had not yet been made by the end of the year.

Continued efforts were made during the year to have established by the Director of Economic Stabilization an over-all policy with respect to fluid milk prices which would facilitate the speedy adjustment of these prices. Although considerable progress was made in this direction, such an over-all policy was not yet in operation at the end of the year. Despite this fact, a number of adjustments were made during the year particularly in the Mountain States, the South Atlantic States, and the East-South-Central States. The problem at the end of the year was most serious in the West-North-Central States and in isolated markets in other regions.

#### Purchase and Resale Programs

In the larger milk markets, most of the adjustments which have taken place in producer prices since the "hold-the-line" order early in April 1943, have not been accompanied by adjustments in retail prices of milk. It has been necessary, therefore, to bridge this gap and to facilitate the payment of the higher price to producers by paying subsidies to milk dealers in these markets. These subsidies are paid by the Commodity Credit Corporation through the market administrators who are operating under the milk marketing order program. The programs are operated as purchase and resale offers under which an offer is made to handlers to purchase their milk at the producer ceiling and to sell it back to them at a lower price, such lower price being the maximum which such handlers are presumably able to pay under the existing retail ceiling.

Programs of this type were inaugurated in the Washington, D. C. area on April 8, 1943, in Omaha on April 11, 1943, in Baltimore, Wilmington, Philadelphia, and 5 eastern Pennsylvania areas on April 12, 1943, and in New York City on November 1, 1943. Approximately 382 million pounds of milk per month are affected by this program with the difference between purchase and resale prices equal to approximately 984 thousand dollars per month. This means that on the average, the resale price under these programs is approximately 26 cents per hundred pounds of milk lower than the purchase price.

#### Milk Shortage and Surplus Problems

Through the regional offices of the Office of Distribution, the market agents under WFO 79 and the market administrators under Federal milk marketing orders, through cooperation with farmers cooperatives and industry groups, and through cooperation with representatives of military agencies, a great deal was done during the year to help relieve emergency conditions involving both shortages of milk for fluid purposes in local markets and surpluses of milk for which a local market was not readily available. In cases of shortages,







this work involved the development, approval, and operation of a comprehensive voluntary allocation plan for 700 milk distributors in New England and less formal arrangements through industry committees and market organizations in New York, Chicago, and other areas. In addition, special assistance was given to many markets in locating available supplies of milk during the short season.

A special program under Section 32 was developed for the season of heavy production in order to facilitate the moving of distress milk to plants at which such milk could be utilized. It was not necessary to use the funds which were provided under this program since it was possible to secure the voluntary compliance of milk handlers and since the quota restrictions on fluid milk, fluid cream, milk byproducts, and ice cream were liberalized during the season of heavy production in order to reduce the problem and reduce the danger of milk wastage. Industry advisory committees indicated, however, that the cooperative efforts of the War Food Administration and the industry prevented the wastage of substantial quantities of milk during the heavy production season. This problem was particularly acute around selected markets where production for short periods was substantially higher than a year earlier and where shortages of transportation and labor created a special problem with respect to disposing of surplus milk. Small and isolated quantities of skim milk were dumped during the few weeks of highest production. The quantity so wasted, however, was no greater, probably considerably smaller, than in any normal year.

With a continuing high demand for milk and all of its products and with prospects for production little, if any, better than in the fall of 1943, it is expected that local problems with respect to milk shortages will be almost as numerous and as serious in 1944 as in 1943. Plans are being made to utilize all field facilities of the Dairy and Poultry Branch and local industry committee to help meet the problem and tentative plans are being made also to reduce sales quotas in selected areas in order to facilitate an equitable share of the available supplies.

#### DAIRY AND POULTRY FOOD ORDERS

Each of the 16 War Food Orders for dairy and poultry products represented a part of the necessary over-all control of the utilization and distribution of milk, dairy products, eggs, and poultry. The orders either restricted production or sales for civilian outlets, reserved part of the total supply for military, lend-lease, and similar uses, or regulated the total disposition of the products. These types of control were effective and administratively more feasible than the alternative of attempting to direct several million farmers and many thousands of processors and handlers individually with respect to where they must deliver and what they must do with their milk, dairy products, eggs, or poultry. Separate orders were used for individual products or groups of products, first, because controls were not issued until they proved to be necessary and, second, different types of control were best adapted to particular products according to their characteristics and established distribution systems.

In preparing each order, careful consideration was given to the prevailing distribution practices and the most effective means of achieving the objectives. Efforts were made to draft the orders so as to minimize disruption to the usual marketing systems and industry representatives were consulted for advice in this matter. In general, members of the industry recognized the need for, and supported the issuance of, the regulations. Nine orders were continued from the previous year and seven new ones were issued. Six were terminated because they were issued as temporary orders or because they were no longer needed.





Thirty-three amendments and supplementary Director's orders were issued to improve their operations and to carry out the provisions of the basic orders.

The principal functions involved in the administration of the War Food Order after they were issued were: (1) issuance of Director's orders specifying the percentages of production required to be set aside; (2) the authorization of receivers, assemblers, or processors where such authorizations were required for the handling of set-aside products; (3) the establishment of production or sales quotas on which limitation orders were based; (4) the receipt and analysis of reports from persons subject to the orders; (5) the preparation and dissemination of informational and educational material regarding the provisions of the orders; (6) the consideration and disposition of petitions for relief from hardship; (7) the release of products from quota or set-aside restrictions to supply military requirements that did not fall into the usual pattern; (8) the transfer of quotas necessitated as a result of sales, leases, or other circumstances requiring different persons to produce or process products; and (9) the checking of performance either directly or in conjunction with the Compliance Branch to assure adherence to the orders.

Set-aside orders either specified the percentages of production or supplies required to be reserved for designated agencies or provided for the Director of Distribution to specify such percentages from time to time. Generally, the designated agencies included the War Food Administration, Armed Forces and other war services such as Veterans hospitals, War Shipping Administration including ship suppliers, and Contract Schools for feeding Army and Navy trainees.

The set-aside orders generally provided that manufacturers might either sell set-aside products to designated agencies or to authorized receivers or assemblers who set aside equivalent quantities for sale to such agencies. This provision facilitated prompt handling of the products and aided government procurement in carlots. For example, about 87 percent of the set-aside butter moved through authorized receivers in the established trade channels. The authorizations made the receivers or assemblers accountable for the set-aside products handled by them.

Relatively few prosecutions for noncompliance with the orders were necessary. General compliance by manufacturers and handlers indicated the success of educational programs to acquaint the industry with the need for the orders and the desire of manufacturers and handlers to help in the war effort. Administration of the orders involved the consideration of many petitions for relief from hardship, particularly during the first few months of operation. The petitions were carefully considered and relief was granted where conditions warranted. However, the numbers of petitions declined as the purposes of the orders became more fully understood.

In general, the objectives of the War Food Orders pertaining to dairy and poultry products have been successfully achieved. The subsequent discussions describe the individual orders, indicating the work involved in their administration, as well as the modifications and accomplishments of the past year. Some salient points in the report follow. A shift from a deficit to a surplus producing situation in eggs permitted the discontinuance of the egg orders. Two temporary orders were used to facilitate the acquisition of turkeys for holiday dinners for all members of the armed forces and the merchant marine. Butter and cheese set-aside orders were adjusted seasonally to take care of military and lend-lease requirements with a minimum of disturbance to the regular flow of civilian supplies. Limitations were placed on the production of some of the cheese and dried milk products to prevent the diversion of milk away from





Cheddar cheese, dried nonfat milk solids, and whole milk powder urgently needed by war agencies. Restrictions on sales of fluid milk and milk byproducts and on production of icecream and other frozen dairy foods were relaxed to avoid the loss of milk during the flush production period. The ban on sales of whipping cream was continued and made more effective to eliminate evasions. Sales and processing of milk sugar were placed under rather complete regulation to assure an adequate supply for the production of penicillin and to take care of other essential military and civilian requirements. A classification of these orders is shown in the table attached, following which the individual orders are discussed. The first group considered are the set-aside orders on dairy products.



Classification of Dairy and Poultry Orders in effect  
July 1, 1943-June 30, 1944

Products Regulated	Type of Order					Marketing: Economies	Total
	Limitation	Set-aside	Allocation				
	(Number of Orders)						
Butter	:	:	2	:	:	:	2
Cheese	:	1	:	1	:	:	2
Ice Cream	:	1	:	:	:	:	1
Dried Milk	:	1	:	1	:	:	2
Fluid Milk and Cream	:	2	:	:	:	1	3
Milk Sugar	:	:	:	:	1	:	1
Eggs	:	1	:	1	:	:	2
Poultry	:	:	:	3	:	:	3
Total	:	6	:	8	:	1	16





## WFO No. 2 - BUTTER

WFO No. 2, effective since February 1, 1943, provides that every person who manufactures creamery butter, except for certain small-volume producers, must set aside and hold a specified percentage of his production for delivery to designated military, lend-lease, and war service agencies. The percentages and amounts which have been set aside under the order are shown in the table attached.

From February to September 1943, 464 million pounds of set-aside butter were accumulated. About 2 million pounds was released from the restrictions of the order, and the remainder was delivered to approved war agencies. This program provided sufficient butter to meet all war requirements through March 1944. By heavy purchases during the flush season and storage operations by war agencies, civilians retained a rather constant amount of creamery butter each month, averaging around 100 million pounds. About 37 million pounds in excess of requirements was carried beyond March 31 by the War Food Administration and it was, therefore, possible to delay the 1944 set-aside program until April when a 10 percent set-aside requirement was introduced.

To facilitate the purchase of set-aside butter by the Army and other approved agencies in carload lots and at the same time disrupt established trade practices as little as possible, the order provided for authorized butter receivers. Manufacturers could thus deliver to an authorized receiver who in turn delivered an equivalent quantity of butter to an eligible agency. Eighty-seven percent of the butter set aside during the 1943 program followed the channel of creamery to receiver to eligible agency. About the same percentage appears to apply under 1944 set-aside program.

All creameries and authorized receivers were required to submit monthly reports summarizing their dealings in set-aside butter. Creameries reported their production, set-aside requirements, and detailed disposition of set-aside butter. Approximately 3,600 creameries filed such reports. Of these, about 2,750 were subject to the set-aside provisions of the order, and the remainder were exempt because of small production. There were also some 350 authorized receivers who reported receipts of set-aside butter and its disposition each month. The reports were basic to the administration of the order and all were carefully audited. Discrepancies were usually adjusted by correspondence or because a basis for formal compliance proceedings. When the 1943 program was brought to a close, the amount of set-aside butter that had been accounted for represented virtually 100 percent compliance.

During the course of the year, 145 audit reports of individual companies were prepared by the Compliance Branch covering persons subject to the order. Each of these was reviewed and various types of action were recommended whenever the audits revealed violation of the order. Most of the cases were handled by administrative action. Usually a warning letter and an understanding that appropriate adjustment would be made in subsequent months ended the case. In several cases of apparent noncompliance, the Administrator took direct action and all differences were satisfactorily adjusted. In all, compliance was a minor problem measured in terms of the hundreds of persons subject to the order.

During the 12-month period, 452 petitions for relief from hardship were received and analyzed. Of these, 344 were granted in whole or in part, and 108 were denied. There was a noticeable tendency for the number of petitions to decline as the purposes and objectives of the order became better understood.



At the end of the first set-aside period on September 30, the trade held 34.7 million pounds of set-aside butter. A large portion of this was required to meet Army needs during the month of October because its schedule did not call for using storage stocks until November. However, 22.2 million pounds remained outstanding as of October 31. The order did not require any specific delivery date and such a lag in delivery was considered reasonable. It also happened that numerous agencies -- several hundred in all -- such as small military posts, contract schools, Veterans Administration facilities, and licensed ships chandlers which were eligible to use set-aside butter, had no provisions for set-aside butter during the nonset-aside winter months. Accordingly, the order was administered during this period in such a way as to permit persons still owing set-aside butter to discharge their obligations by supplying these small accounts. The arrangement served a two-fold purpose of taking care of these needs without draining on civilian supplies and providing outlets for set-aside butter not needed by the larger agencies buying in carlot quantities. Also, because set-aside supplies were adequate and because civilian hospitals were finding it extremely difficult to obtain butter, 5 million pounds was allocated to hospitals in November to be used during the winter months. A large proportion of the amount used was delivered direct by vendors from set-aside stocks still in their hands. The remainder was provided from Government stocks.

The 1943 set-aside program accomplished the purpose for which it was intended. The Army and other war agencies obtained adequate quantities of butter. The War Food Administration was able to meet lend-lease commitments on schedule. Civilian supplies were held at fairly constant levels according to the prearranged plan.

The experience during 1943, however, suggested some improvements that should be introduced for 1944. The order was amended effective April 1, 1944, to (1) clarify some of the language; (2) cancel outstanding authorizations of receivers; (3) place a limitation on inventories held by authorized receivers; and (4) raise the required score of set-aside butter from 89 to 90. The order remained the same in principle and little additional educational work was required. Most of the changes were to facilitate the Army's procurement program. Because of storage stocks, the War Food Administration needed only an additional 30 million pounds during 1944, or about 10 percent of the war requirements. Thus, the new program, to a somewhat greater extent, was operated primarily for the benefit of the Army.

Now applications were received during March and in subsequent months from those desiring to become authorized receivers under the new program. By June 30, 265 such applications had been received and processed, and a high percentage was approved.





Creamery Butter and Cheddar Cheese -  
Production, Amounts Set-aside and for Civilian Use  
January, 1943 - June, 1944

Month and Year.	C r e a m e r y B u t t e r				C h e d d a r C h e e s e			
	Produce- tion	Percent <u>1/</u> Set-aside	Amounts Set-aside	Available to Civilians	Produce- tion	Percent <u>1/</u> Set-aside	Amounts Set-aside	Available to Civilians
	Million Pounds	Percent	Million Pounds	Million Pounds	Million Pounds	Percent	Million Pounds	Million Pounds
<u>1943</u>								
Jan.	123	None	None	123 <sup>2/</sup>	46	None	None	46 <sup>2/</sup>
Feb.	122	30	35	87	47	50 <sup>3/</sup>	11	36 <sup>4/</sup>
Mar.	140	30	40	100	58	50	27	31
Apr.	150	30	44	106	68	50	34	34
May	185	50	92	93	91	70	62	29
June	202	50	98	104	98	70	69	29
July	181	50	87	94	87	70	60	27
Aug.	152	30	44	108	77	60	45	32
Sep.	126	20	24	102	66	60	38	28
Oct.	108	None	None	108	55	50	23	32
Nov.	93	None	None	93	41	25	10	31
Dec.	88	None	None	88	42	25	11	31
<u>1944</u>								
Jan.	104	None	None	104	43	30	12	31
Feb.	106	None	None	106	46	30	12	34
Mar.	125	None	None	125	57	45	24	33
Apr.	131	10	13 <sup>2/</sup>	118 <sup>5/</sup>	68	55	34	34
May	173 <sup>5/</sup>	40	66 <sup>5/</sup>	107 <sup>5/</sup>	94 <sup>5/</sup>	60	55	39
June	184 <sup>5/</sup>	50	87	97 <sup>5/</sup>	103 <sup>5/</sup>	60	62	41 <sup>5/</sup>
<u>1/</u>	Percent of production required to be set aside by processors subject to the order.							
<u>2/</u>	Includes Government purchases.							
<u>3/</u>	Effective February 15.							
<u>4/</u>	Includes Government purchases prior to February 15.							
<u>5/</u>	Estimated.							

1/ Percent of production required to be set aside by processors subject to the order.  
2/ Includes Government purchases.  
3/ Effective February 15.  
4/ Includes Government purchases prior to February 15.  
5/ Estimated.



## WFO NO. 12 - BUTTER STORAGE

The purposes of WFO No. 12, requiring half of the butter in thirty-five cities in November, 1942, to be reserved for government agencies were accomplished by early 1943. This order represented an emergency measure designed to meet immediate military requirements until the more permanent arrangement embodied in WFO No. 2 was developed and put into operation. The order was formally terminated November 15, 1943.

## WFO NO. 15 - CHEDDAR CHEESE

Closely paralleling the set-aside order for creamery butter is WFO No. 15 which has been in effect since February 15, 1943, for the setting aside of Cheddar cheese to meet the requirements of specified government agencies.

Operating amendments are made every 60 days establishing set-aside percentages for the next two months. The order as it now stands provides that cheese producers who manufactured more than 8,000 pounds of Cheddar cheese in any month during the period from January 1, 1942, to February 1944 are required to set aside and hold their required percentages of cheese for delivery to governmental agencies. The monthly percentages for the years 1943 and 1944 through June as well as amounts involved are shown in the attached table. For the fiscal year 1943 and 1944 it is estimated that 386 million pounds of Cheddar cheese were set aside for delivery to governmental agencies.

The order was amended effective March 1, 1944, to clarify the provisions regarding subsidy payments and the conditions surrounding the appointment of authorized assemblers. Originally, the letter of authority granted to cheese assemblers was for an indefinite period but could be revoked at any time by the Director. The amendment of March 1, 1944, provides that assemblers be authorized for 60-day periods. The main reason for this change was to provide for frequent reviews of the operation of the authorized assemblers and to provide a satisfactory method for the elimination of those who were not properly performing their functions under the provisions of the order. As of June 30, there were 118 authorized assemblers handling set-aside cheese on behalf of the governmental agencies. These authorized assemblers in turn were dealing with 1,815 factories which were manufacturing Cheddar cheese. For purposes of checking compliance and of following production trends, all manufacturers of Cheddar cheese are required to submit a monthly report to the Office of Distribution.

Supplementing the activities of the Administrator the Regional Offices received 168 inquiries regarding the operation of the order, held three meetings and conferences, made 123 spot checks of operations of cheese factories and received and investigated 16 complaints.

Seventy petitions for relief from hardship were handled during the year. The majority of these petitions represented releases of set-aside Cheddar cheese for shipment to Alaska to meet civilian requirements.

## WFO NO. 92 - CHEESE AND CHEESE FOODS

It became apparent during 1943 that reduced production of war-needed dairy products was in part attributable to the diversion of milk into other products that were not required by the military forces and other war agencies. Among the products that showed increases in production despite declining milk supplies were cheeses other than Cheddar cheese. By producing these cheeses, processors managed to escape the set-aside requirements applicable to such products as





Cheddar cheese and butter and to take advantage of favorable price ceilings. The shift toward increased production which occurred at an accelerated rate in the latter part of 1943 resulted in 17 million pounds more of these cheeses being produced in 1943 than in 1942.

WFO 92 was introduced in February 1944 to stem this diversion of milk away from essential dairy products. The order limited the production of Cheeses other than Cheddar, cottage, pot, bakers' and whey cheeses to the amounts produced in the corresponding calendar quarters of 1942. More than 1,000 cheese factories making a wide variety of cheeses are subject to the order. With the exception of reports of base period production used to establish factory quotas, no additional reports are required of these cheese factories. Current production data are obtained from the regular monthly reports submitted to the Bureau of Agricultural Economics in connection with the Office of Price Administration rationing program and other War Food Administration programs. These reports are analyzed to check compliance with the order.

From the inception of the order until July 1, 1944, 189 petitions for relief from hardship were received. Most of these petitions were for increases in quota. Although requests for more than 11 million pounds of additional quota were considered, only 3.2 million pounds were granted to processors having no practical alternative outlets for increased milk supplies.

The effects of the order have been reflected in cheese production data showing a reversal of the trend toward expanded production of these cheeses. This has been accompanied by a slight increase in Cheddar cheese production in 1944 compared with the corresponding months in 1943.

#### WAR FOOD ORDER NO. 54 - NONFAT DRY MILK SOLIDS

Continued operations of War Food Order No. 54 assured an adequate supply of nonfat dry milk solids to meet military and lend lease requirements.

The Order was operated on a set-aside basis with a specific proportion of each month's production required to be set aside and held for sale to designated governmental agencies. In this manner, the burden of supplying urgent war needs was equitably distributed among members of the dry milk industry. The set-aside rates and required quantities for both spray and roller process powder are shown in the table attached. Effective July 1, 1944, the set-aside rates were re-established at 50 and 75 per cent.

Approximately 450 firms were covered by the provisions of the Order. Of these, more than 80 produced spray powder and some 400 produced roller powder. Some firms produced both spray and roller powder. The Administrator of the Order appointed 55 Authorized Receivers to assemble set-aside powder for resale to designated governmental agencies.

The total reported production of edible nonfat dry milk solids from June 1, 1943 through May 31, 1944 was 494 million pounds. Of this amount, over 360 million pounds were set aside and held for delivery to designated governmental agencies. This was about evenly divided between spray and roller powder although the production of roller powder during the period was approximately 16 million pounds greater than spray. The difference is accounted for mainly by the lower set-aside requirement on roller powder effective May 1, 1944. In addition to this set-aside volume, as of June 1, 1943, there were 21.6 million pounds of spray set-aside powder held by manufacturers under Conservation Order RA-1. Total available set-aside supplies during the June 1, 1943 to May 31, 1944 period,





therefore, amounted to approximately 382 million pounds.

Direct purchases by the War Food Administration amounted to 243 million pounds. This included approximately 142.6 million pounds of spray powder and 100.4 million pounds of roller powder. Army purchases directly accounted for 21.4 million pounds, almost all spray powder. Reported deliveries of set-aside powder against Navy purchases were only 2.6 million pounds of spray powder, and small amounts were delivered to other approved agencies including the Marine Corps, War Shipping Administration, Veterans' Administration and Contract Schools.

Of minor importance in terms of volume of powder, but important from the standpoint of the work load in administering the Order, was the indirect disposition of set-aside powder. Indirect deliveries included powder exempted from manufacturers set-aside stocks for delivery to processors of food products fulfilling government contracts. These products ranged from ice cream to compressed tablets in food kits aboard life rafts, and included dried soups, chocolate ration bars, ration biscuits, prisoner of war meat patties, prepared cereals, custards and premix flour products.

More than 2614 million pounds of set-aside powder were delivered against exemptions for completion of Army contracts. Deliveries against War Food Administration contracts amounted to slightly more than 9 million pounds. Deliveries against other designated agency exemptions were relatively small, and included Navy, War Shipping Administration and Red Cross contracts. About 4.4 million pounds of set-aside spray powder were made available for domestic consumer use, mainly for use in the South for consumer packaging. This also includes approximately 300,000 pounds of powder exempted to margarine manufacturers for civilian production.

A number of releases were granted because of quality, package, or other conditions for which it was felt that a release was justified. These releases total 1.2 million pounds of spray powder and 3.7 million pounds of roller powder. The set-aside obligation held by manufacturers as of May 1, 1944 amounted to 21.2 million pounds of spray powder and 46.8 million pounds of roller powder.

Approximately 1,500 petitions for relief under the Order were processed with 1,355 granted and 141 denied. Exemptions of set-aside powder to processors working on contracts requiring nonfat dry milk solids number 845. There were 91 exemptions to processors for civilian use, and 121 releases were granted for civilian use because of quality or improper packaging. Approximately 300 petitions of other types were handled. These included requests to extend the delivery date of set-aside powder, permission to make up deficits, permission to substitute spray powder for roller, or roller powder for spray.

Monthly reports were filed by manufacturers, processors and authorized receivers under the Order and audited in the Washington office. Compliance with the set-aside provisions of the Order, while troublesome in certain areas, was generally good. Accumulated shortages and set-aside deficits amounted to less than 1 per cent of the total set-aside amount, and a considerable portion of this was directly due to the inability of processors to secure proper packages in which to pack set-aside powder.

Audits covering 28 compliance cases were reviewed and recommendations made. In most of these cases, the nature of the noncompliance was failure to set aside sufficient powder to cover set-aside obligations. Such deficits were either completely made up or considerably reduced. Since a considerable volume of the set-aside powder went directly or indirectly to other designated agencies, it was necessary to work closely with other agencies such as the Army, Navy, Marine Corps, Veterans' Administration and War Shipping Administration in developing programs and in granting exemption against contracts where nonfat dry milk solids were required.





Non-fat, Dry Milk Solids -  
Production, Amounts Set-Aside and for Civilian Use,  
Spray and Roller Process - November, 1942 - June, 1944

Month and Year	S p r a y		R o l l e r	
	Production Set-Aside	Amounts Set-Aside	Production Set-aside	Amounts Set-aside
	Million Pounds	Percent Set-Aside	Million Pounds	Percent Set-aside
1942				
Nov.	16.0	90 <sup>1/2</sup>	12.1	3.9
Dec.	16.8	90	15.1	1.7
1943				
Jan.	16.7	90	15.0	1.7
Feb.	16.7	90	15.0	1.7
Mar.	21.4	90	19.3	2.1
Apr.	24.2	90	21.8	2.4
May	29.2	90	26.3	2.9
June	28.6	75	21.4	7.2
July	24.7	75	18.6	6.1
Aug.	21.3	75	16.0	5.3
Sep.	17.1	75	12.9	4.2
Oct.	12.9	75	9.8	3.1
Nov.	10.5	75	7.9	2.6
Dec.	13.3	75	10.0	3.3
1944				
Jan.	14.9	75	11.3	3.6
Feb.	16.0	75	12.1	3.9
Mar.	21.2	75	16.1	5.1
Apr.	27.7	75	19.6	8.1
May	32.4	75	24.8	7.6
June	31.4 <sup>2/3</sup>	50	15.7	15.7

1/ Order effective November 5.  
 2/ Estimated.

*Amounts available for civilian use and Governmental agencies*

Month and Year	S p r a y		R o l l e r	
	Production Set-Aside	Amounts Set-Aside	Production Set-aside	Amounts Set-aside
	Million Pounds	Percent Set-aside	Million Pounds	Percent Set-aside
1942				
Nov.	12.6	None	12.6	None
Dec.	15.2	None	15.2	None
1943				
Jan.	10.7	None	10.7	None
Feb.	11.5	None	11.5	None
Mar.	18.0	None	18.0	None
Apr.	20.2	None	20.2	None
May	28.2	None	28.2	None
June	37.3	75	27.8	9.5
July	29.2	75	21.9	7.3
Aug.	21.3	75	15.9	5.4
Sep.	15.9	75	11.9	4.0
Oct.	10.5	75	7.9	2.6
Nov.	6.1	75	4.6	1.5
Dec.	8.0	75	6.0	2.0
1944				
Jan.	10.6	75	7.9	2.7
Feb.	11.9	75	8.9	3.0
Mar.	25.2	75	18.9	6.3
Apr.	33.6	75	25.1	8.5
May	45.1 <sup>2/3</sup>	50	22.7	22.4
June	43.7 <sup>2/3</sup>	35	15.8	27.9



## WFO NO. 93 - DRIED MILK

WFO No. 93, which restricts sales of dried milk other than non-fat dry milk solids became effective March 1, 1944. During the 1943-44 fall and winter season, the production of nonfat dry milk solids and butter fell off considerably as a result of a diversion of milk solids and butterfat to uncommon milk products such as dried part skim milk and to roller dried whole milk. The diversion resulted in a serious threat to meeting war requirements for dairy products.

Much of the increased production of dried milk above  $1\frac{1}{2}$  percent butterfat was by plants which did not normally produce such products. Most of this powder was not of long enough keeping quality or suitable type for government use. It was used immediately by bakers, candy makers, and other food processors in place of nonfat dry milk solids and butter and other milk products.

WFO No. 93 restricted domestic commercial sales of dried milk products containing 35 percent or more milk solids to either 75 percent of such sales in the corresponding period of 1942 or to 10 percent of the quantity of government and export sales of such product during the current period, whichever is greater. Domestic commercial sales of dried milk compounds containing less than 35 percent of milk solids were restricted to 100 percent of such sales in the corresponding period of 1942. Sales of dried milk infant foods were not limited. Restrictions were also placed on inventories as an indirect restriction to production and the accumulation of large inventories. This Order, in conjunction with a price increase of  $1\frac{1}{2}$  cents per pound, allowed by the O. P. A. on roller nonfat dry milk solids, had the effect of practically eliminating roller whole milk and almost entirely eliminating part skim milk.

In February of 1944, more than 4 million pounds of dried partially skimmed milk was reported produced. In March, of the same year, part skim dropped to slightly more than 900,000 pounds and in May, was slightly more than 400,000 pounds. This amount, however, is being produced within one firm's quota. Whole milk powder production in February 1944 was reported at 14.6 million pounds compared with 9.6 million pounds in 1943. Most of this 1944 increase can be attributed to the production of roller whole milk powder. In March, the first month of operation of WFO No. 93, the production of whole milk powder was reported at 13.0 million pounds which compared with the production of 12.4 million pounds in March of 1943. This reflects the elimination of roller whole milk powder and a return of these plants to skim milk drying.

Almost immediately after the Order was issued, record increases in the production of nonfat dry milk solids were reported. March, April, May, and June reported production of nonfat dry milk solids has been at record levels and production was considerably greater than the previous record year of 1942 and more than double the prewar 1936-40 average for corresponding months. In February 1944, roller powder production was 12.5 million pounds; in March it jumped to 26.3 million pounds; and in April rose to 33.9 million pounds. To further demonstrate the extent of this increase, it might be pointed out that the February 1944 production of roller powder was 174 percent of the record 1942 production; whereas the March 1944 production was more than 113 percent for the record March 1942 production. Also, April 1944 production was more than 123 percent of the record April 1942 production.

Approximately 60 firms are operating under the restrictions of WFO No. 93. Several exemptions have been granted to manufacturers for the production of irregular products where it was demonstrated that such production would result in no decrease in nonfat dry milk solids received by the government. This plan,





however, is limited because of the difficulties of administering any widespread exemptions on this basis.

In cases where manufacturers require whole milk powder to complete government contracts, exemptions have been made. To date, such exemptions amount to less than 3 million pounds and number less than 20.

#### WFO NO. 79 - CONSERVATION AND DISTRIBUTION OF FLUID MILK AND CREAM

WFO No. 79, effective September 10, 1943, and the supplementary local orders issued for the large cities of the nation represent the program of the War Food Administration to stabilize and control civilian sales of fluid milk, cream, and milk byproducts and thus avoid the necessity for rationing these highly perishable dairy products. The Director of Distribution under this program establishes sales areas, base periods, quotas and quota periods, and prohibits handlers from delivering milk, cream, and milk byproducts such as buttermilk and cottage cheese in excess of the quotas established for any quota period.

As of July 1, 1944, subsidiary orders were in effect in 138 sales areas each a metropolitan area having 50,000 or more population according to the 1940 census. Between 5,000 and 5,500 reporting handlers and over 65,300,000 persons have been brought within the scope of the milk conservation program. Each area order is administered by a Market Agent designated by the Director. Until June 1, 1944, assessments at rates varying from \$0.005 to \$0.015 per hundredweight of product were authorized to be collected from handlers. After June 1, 1944, in some areas and after July 1, 1944, in other areas, the cost of administration is provided for from Federal appropriations.

Per capita consumption of fluid milk in the United States increased, during 1942 and the early part of 1943, at the rate of approximately one percent per month. Efforts of the Government to encourage increased milk production and increased delivery of whole milk through increased production and the shifting from cream delivery to milk delivery in order to obtain needed quantities of evaporated milk, dried whole and dry nonfat milk solids and cheese for war purposes, would have been nullified if fluid milk sales had not been stabilized. The principal objective of the milk conservation program was to stabilize and control these sales. Of the two alternatives, that of consumer rationing or of limiting total deliveries by dealers, the latter alternative was chosen after wide consultation with representatives of the industry. This method permitted the industry to assume the primary responsibility for equitable distribution of available supplies among consumers. By the use of local Market Agents and the continued periodic consultation with a national industry committee which has been functioning since the inception of the program, the Government has been able to check the operation of the program and make adjustments in areas or in individual cases as conditions warranted.

June 1943 was selected as the base month in all area orders. Consumption by that date had already reflected the nation-wide increase in buying power and ample supplies were available in the base period to provide a reasonable supply for the average person under war conditions. The selected month was also sufficiently recent to yield reliable figures. Quotas for milk were fixed at 100 percent of base deliveries and at 75 percent for cream and milk byproducts. Sales to specified Government agencies, inclusive of the armed forces, were made quota exempt. Schools and hospitals were made quota exempt in the New York area when the program was initiated and similar exemption has been extended to other





areas by amendment as requested.

Flexibility in applying the program in different areas has been achieved in a variety of ways. Provision was made in the basic order for relief from hardship upon application to the Director. Adjustments made in response to such petitions are usually made by the local market agent and apply to individual cases. The use of a local administrative agency in all phases of order operations and amendments permits a flexibility to meet local needs. By December 1, 1943, market agents were authorized to set up quotas on a total milk solids basis for each quota product with increased latitude for transfer quota of one product to another. A volume limitation was retained on cream and transfer of milk quota to cream or milk byproducts quota was not permitted. The milk solids basis for fixing quotas was introduced in all the southern markets. Authority granted to market agents to transfer quota between handlers under specified conditions also added to the flexibility of the program without detracting from its effectiveness.

The combination of favorable weather, an increase in the number of milking cows, labor and transportation shortages, and limited facilities in some areas, made quota adjustments necessary during the months of flush production in 1944. Quotas on cream and milk byproducts were increased from 75 percent to 100 percent of base deliveries during the months of May and June. Additional market-wide relief was made available on prior approval of the Chief of the Dairy and Poultry Branch during the months of April, May and June. Adjustments by this method have been made promptly in order to permit full utilization of milk for which manufacturing facilities were not reasonably available. Market agents in all areas actively cooperated with the local industry in finding outlets for temporarily distressed milk with the result that no appreciable quantity of milk failed to be utilized. In April 1944, total quotas for milk were approximately 102 percent of base sales, due largely to relief which had been granted as authorized and total deliveries stood at approximately 95 percent of quota. April quotas for cream stood at approximately 81 percent of sales in the base period while deliveries in the same month were about 99 percent of quota. For milk byproducts April quotas were approximately 77 percent of sales in the base period but deliveries amounted to only 78 percent of quotas. These figures indicate that notwithstanding the adjustments made, the program is achieving the desired results.

The order provides for the granting of relief from exceptional and unreasonable hardships in cases where undue burdens and difficulties would be experienced by handlers and where the granting of relief will not interfere with the operation of the order in a substantial degree or be inconsistent with its purposes. In view of the perishability of milk, the provisions for granting relief from hardship are of particular importance, not only to avoid a financial loss to the handler, but also to prevent a loss of milk in cases where quota-exempt outlets are not immediately available. From the inception of the order through June 30, 1944, a total of 1,620 petitions for relief from hardship were received from the industry and acted upon.

Enforcement is of particular importance because of the highly competitive nature of the milk business and because of the difficulties of adequate restitution in the event the order is not complied with. The procedure for the handling of violations, therefore, has been geared to meet these conditions. Market agents report acts of noncompliance to the Director. These are processed in the Dairy and Poultry Branch and sent to the Solicitor's Office for ultimate transmission to the appropriate United States Attorney. In cases of minor





violations of a technical nature warning letters are sent to the handlers. In still other cases direct communication with the handlers reported in noncompliance results in voluntary compliance.

From October 1943 through June 30, 1944, recommendations were made to the Solicitor's Office for court action against 38 violating handlers. In the case of 13 of these handlers consent decrees were entered by the appropriate Federal District Court. Actions against the other handlers are still pending.

#### WFO No. 11 - MILK MARKETING ECONOMIES

The work in connection with War Food Order 11 during the past fiscal year continued to be devoted largely to the routine administration of the order. The order remained unchanged during this period, and continued to provide for a number of milk marketing economy measures designed to simplify milk handling operations and to reduce marketing costs for fluid milk. Specifically, the work during the past year consisted of formulating and adopting measures to inform milk dealers of the order and of its purposes and meaning; considering petitions -- 25 in number -- for relief from hardship which were received from the industry; and reviewing and acting upon reports of violations.

To determine the results of Order 11, a survey was conducted during the spring of 1943 in 23 northeastern cities. It was found that the order was substantially accomplishing the purposes for which it was issued. Definite, though small, economies were being achieved from the operation of the provision eliminating small containers. More efficient distribution to stores and other wholesale buyers was being brought about by the requirement that these operators purchase milk from only two sources. The requirement for loading only on prior orders was making drivers careful about overloading and thus reducing the amount of returned milk. The prohibition against returning unsold milk was achieving substantial economies in places where distributors had not already adopted this practice. Finally, it was found that the deposit requirement was bringing about an increase in the number of bottles being returned in localities where deposits had not previously been required. The net effect of all this has been a contribution toward the conservation of manpower, fuel, rubber, and delivery equipment used in the handling of milk.

#### WFO No. 13 - CREAM

War Food Order 13, restricting the sale of heavy cream and substitutes therefor, was amended twice during the past fiscal year -- on August 26, 1943, and on June 2, 1944. As it is now in effect, it prohibits the sale of cream or cream products containing more than 19 percent butterfat and of filled cream containing more than 19 percent of all oil and fat. It also prohibits the fortification of cream or cream products with milk solids. Provision is made to enable patients and hospitals who have a bona fide need for heavy cream to obtain such cream. Public eating places are also enabled to obtain heavy cream for making ice cream, provided they comply with War Food Order 8.

War Food Order 13 is a direct measure to divert butterfat and milk solids-not-fat from unessential uses, such as top dressing for desserts, pies, pastries, etc., to essential uses, such as butter. The Order is direct in its approach and simple in operation. It is considered to conserve around 80 million pounds of butterfat a year.





Aside from the planning, development, and formulation of the amendments to the order, the work during the past year was devoted to routine administration. Milk dealers were informed of the order and of its purposes and meaning. The medical profession, and particularly health officers, were acquainted with the provisions of the order relating to the prescription of heavy cream for use in the treatment of the sick. Twenty-seven (27) petitions for relief from hardship were received and acted upon. Finally, investigations of acts of noncompliance were recommended where such investigations appeared desirable.

#### WFO NO. 8 - FROZEN DAIRY FOODS AND MIX

The objective of this order, effective since February 1, 1943, is to make more milk available for consumption as fluid milk, or for processing into needed dairy products. It encourages efficient use of milk solids in frozen dairy foods and minimizes, so far as possible, the effect on the industry of the reduction in permissible milk solids. The order affects approximately 20,000 processors who in 1942 manufactured over 490 million gallons of frozen dairy foods.

The utilization of milk solids in the manufacture of frozen dairy foods and mix is restricted to 65 percent of the milk solids so used during the corresponding months of the base period, December 1941 through November 1942. A maximum total milk solids content of 22 percent with a ratio of 8 parts of solids-not-fat to 10 parts of fat is permitted for ice cream. The manufacture of frozen dairy foods other than ice cream in reasonable proportion to ice cream is permitted. Frozen dairy foods and mix for designated government agencies are quota exempt.

An Ice Cream Industry Food Advisory Committee representing the various types of producers of frozen dairy foods, both large and small, and the major ice cream producing sections, was formed. Meetings were held in Washington on April 9, June 16, and October 30, 1943, and April 12, 1944. A fine spirit of cooperation prevailed. Important topics were broad phases of the Frozen Dairy Foods Program, the relationship to related programs, and possible improvements in the order. These programs were supplemented by attendance at and participation in industry meetings. Addresses made at such meetings and other informational material was furnished to trade journals and associations. The Regional Offices also distributed information and held meetings with processors regarding developments in the administration of the order.

The order required processors to submit reports on Form FDO 8-1 as to their operations in the base period. The monthly report form which was intended for approximately 3,500 mix manufacturers and more than 11,500 counter freezer operators was not approved by the Bureau of the Budget for distribution to all processors during 1943. Only mix manufacturers have been required to report from the outset. Beginning January 1944, counter freezer operators who purchased all of their mix and used more than 5,000 pounds of milk solids during the base period were required to report but no information is being obtained from thousands of small retail manufacturers of ice cream. Much of the noncompliance reported among small processors probably arises because current reports are not required of them.

In November 1943, the analyses of reports and communications relating to those reports, certain aspects of compliance, and relief from hardship petitions were transferred to the Regional Offices. Cases regarding which the Regional Director may have some doubt are referred to the Administrator of the order or to the Compliance Branch in Washington, D. C. General administration of the order, particularly those aspects relating to the development of uniformity in the appli-





cation of interpretations and policies in the several regions remain with the Washington office of the Administrator.

Three amendments to the order have been made as follows: on September 6, 1943, providing for quota exempt ice cream for contract schools and ship operators; on May 1, 1944, increasing the quota percentage indicated in Section (b) (1) from 65 to 75 and total milk solids from 22 to 24 percent, for May and June 1944; on June 1, 1944, increasing the quota percentage for June to 85 and for July to 75 and provided that the total milk solids content of ice cream remain at 24 percent during those months. On August 1, the quota percentage is to return to 65 and the total milk solids content to 22 percent.

Three Director's orders have been issued as follows: on February 1, 1943, establishing allocation periods as monthly calendar periods; on November 1, 1943, increasing the percentage of available milk solids that processors in California could use in the production of frozen dairy foods other than ice cream from 10 to 20 percent; on May 1, 1944, setting forth the reporting requirements of processors.

Cooperation and compliance among processors representing the bulk of the ice cream manufactured annually has been very satisfactory. This not only has been an important factor in the effectiveness of the order as a conservation measure, but has permitted administration with a much smaller staff than otherwise would have been necessary. Up to June 30, 1944, 47 cases of alleged violation of the order had been recommended for court action, including criminal prosecutions and injunctions, and 114 warning letters had been issued.

By July 1, 1944, 3,020 petitions for relief from hardship were received in Washington, D. C. The details regarding the disposition of petitions were as follows:

	<u>Washington</u>	<u>The Regions</u>
Number of Petitions Received	3,020	791
Grants Increasing Milk Solids	95	-
Yearly Increase in Milk Solids (in lbs.)	877,909	-
Grants not Involving Increase in Milk Solids	1,150	542
Denials	1,575	171
Dropped Without Further Action	164	41
Previous Authorizations Cancelled	2	1
Petitions Pending	34	36

Although it is difficult to indicate precisely the extent to which milk solids have been conserved, estimates concerning this point indicate that the savings have amounted to the equivalent of 125 million pounds of butter and 75 million pounds of dry nonfat milk solids since February 1, 1943, a substantial aid in obtaining war food supplies. The order also has been helpful in maintaining the position of the ice cream industry as a "balance wheel" of the dairy industry from a seasonal standpoint, as indicated by Amendments 2 and 3. In addition, the equitable distribution clause of the order has been largely responsible for maintaining stability in the markets.

#### WFO No. 95 - MILK SUGAR

The larger requirements for milk sugar resulting from increased production of prepared infant foods, increased pharmaceutical requirements as a result of the war, other direct war uses and the requirements for penicillin more than doubled the demand for milk sugar in 1944 as compared with 1943. Declining production of casein with a proportional limitation in the production of casein whey had caused



a reduced supply. As a result, it became necessary to place the distribution of milk sugar under allocation until such time as production and requirements could be brought into reasonable balance.

Milk sugar is produced from casein or cheese whey either as refined milk sugar in one production process or as crude milk sugar, a small amount of which is used directly and the remainder refined. The loss in refining of crude milk sugar is estimated at 15 percent. The production of milk sugar in 1943, with technical and crude milk sugar in terms of refined, was estimated at about 5 million pounds.

On December 10, 1943, a letter was received from the Administrator of the penicillin program for the War Production Board giving an estimated requirement of 5 million pounds of milk sugar to be used for the production of penicillin in 1944. He recommended that milk sugar be placed under allocation and every effort be made to increase production.

Total requirements for milk sugar as estimated late in 1943 were as follows:

	Minimum (Pounds)	Maximum (Pounds)
Infant Food	5,000,000	5,500,000
Pharmaceuticals	3,000,000	3,500,000
Penicillin	4,500,000	7,000,000
Other Uses	200,000	500,000
	<u>12,700,000</u>	<u>16,500,000</u>

Plants were inaugurated in 1943 to expand production of milk sugar. In this program cheese whey was used as a raw material wherever practicable since there were large supplies of cheese whey. One company agreed to build an additional plant if they were given a certificate of tax amortization. The plant is now under construction and it is expected that it will be in production late in the summer of 1944. Another company, not previously a producer of milk sugar, expects to produce crude sugar at the rate of a million pounds a year. Other producers were given priority on equipment to expand production.

It was estimated that 14 to 15 million pounds of milk sugar would be made available in a year but that, owing to the lateness of the date at which some of the new production would become available, an order would be necessary to accumulate supplies in the spring of 1944 for the purpose of equalizing production with the amounts available during the later half of the year. It was estimated that an order would be unnecessary after April 1945.

WFO No. 95 became effective April 1, 1944. It provides for the complete allocation of the milk sugar supply each month except that deliveries of refined milk sugar in retail packages for household or pharmaceutical use are exempt as well as sales to hospitals, or institutions that use refined milk sugar under Doctors' orders or prescriptions. By administrative interpretation, sales in small packages for laboratory use are included under the exemption. With these exceptions, authorization to accept delivery and use milk sugar must be requested monthly. By the 10th of the current month the producers report their estimated production, stocks and deliveries of crude and refined milk sugar for the coming month. The allocation of crude milk sugar to the refineries then is made by the Administrator of the Order.

On the average 200 or more users' applications are received. Since the average application consists of 4 forms, 800 or more forms are edited and processed







each month. The authorized forms are mailed to users about the 26th day of the month ~~preceding~~ the month covered by the authorization. Since not all users apply each month, more than 350 individual firms have applied one or more times under the order and basic records are kept for them.

The average amount of milk sugar used per month in 1943 is taken as a base amount in making allocations for the less essential uses. Factors taken into consideration in making an allocation are: the current production and stock situation; the importance of the product end-use; and the average amount of milk sugar used by the applicant in 1943. In the case of the infant food industry, 120 percent of the amount used in 1942 has been taken as a base, seasonal adjustments being made in accordance with the seasonal of milk production.

Essential uses such as penicillin production, government contracts, and essential pharmaceuticals are allocated in full. During the season of heavy milk production amounts to be used in seeding condensed milk have been granted in full. Applications for this purpose have been received from 45 dairy plants thereby helping to conserve surplus milk which might otherwise have been wasted. Allocations for the other domestic uses are varied monthly depending upon the current supply and stock situation.

In May and June, it was possible to authorize more than 90 percent of the total amounts requested. This was due to expanded production and the fact that the requirements for penicillin were not as heavy as had been anticipated earlier. Indications are that milk sugar requirements for penicillin production for the year ending March 1945, will be about 4.5 million pounds.

The relationship between supply and requirements has improved to the extent that all important uses for milk sugar are being met and total allocations for other uses are cut only slightly. However, the balance is so close that any unexpected interruption in production or unbalanced distribution would again bring essential requirements out of line with supply.

#### WFO NOS. 40 & 41 - EGGS

These two orders became effective March 25, 1943. They may be considered companion orders to this extent, in the sense that War Food Order No. 40 was set up to prevent unnecessarily large accumulation of shell eggs in storage stocks and direct them to wartime use as shell eggs or for dried whole eggs, while War Food Order No. 41 set aside 100 percent all whole eggs dried and limited the production of frozen and liquid eggs, dried yolks and dried albumin.

In administering orders with reference to the poultry and egg industry, much attention was paid to regionalization of authority. The wide spread character of the industry, the large number of producers, processors, and dealers made it necessary that as much authority as possible be delegated to field offices. The highly perishable nature of both eggs and poultry made it essential that machinery be devised to handle all problems of work stoppages and breakdowns promptly. Much time and effort was devoted toward the development of suitable handling of local problems.

#### WFO NO. 40 - SHELL EGGS

This Order, as amended July 1, 1943, set aside all shell eggs stored before March 25, 1943. Shell eggs stored on or after March 25, 1943 were also set aside but were required to be removed from storage after June 15, 1943. The War Food Administration was required to buy all eggs so removed from storage at no more



than ceiling prices if sales were not made to other governmental agencies or to commercial concerns which had contracts for the future delivery of dried eggs. Most of the eggs were not immediately taken out of storage but were sold to the Armed Forces, War Shipping Administration and egg-drying concerns.

As a result of the Order, 224,857 cases of eggs were purchased by the War Food Administration. Disposition of the purchases was as follows:

64,007	cases	sold to the Army
12,435	"	sold for shipment to Alaska
23,558	"	sold to War Shipping Administration
8,180	"	sales contracts were cancelled and eggs retained by vendors
50,109	"	sold back to the trade
66,568	"	broken and frozen by War Food Administration
224,857	"	Total

Most of the eggs set aside and not required to be removed from storage on account of being stored before March 25, 1943 remained in storage until the termination of the Order and were released to the owners. Office of Price Administration price ceilings did not permit seasonal price increases for storage eggs sold to governmental agencies and owners held the eggs hoping that such increases would eventually be allowed.

Egg shortages in the trade became apparent during July and during the course of the Order until its termination on October 7, 1943. Some relief was afforded through individual releases of certain classes of eggs such as:

1. Eggs of "No-Grade" quality.
2. Eggs not packed in cases which would stand shipment
3. Small lots of eggs owned by bakeries and restaurants.

The operation of this Order was not entirely satisfactory owing to the complexity of the egg industry and the unfairness of the effects on different members of the industry. However, in the end the objectives of the Order were achieved; without it the needs of shell and dried eggs for the war effort would not have been met. The Order covered all cold storage warehouses holding shell-eggs -- about 500 storages reported under this Order.

#### WFO NO. 41 - EGG PRODUCTS

Due to the heavy consumer demand for bakery products, the production of frozen and dried eggs for domestic use would have increased to a point where needs for the war effort would have been jeopardized without a restrictive order.

WFO No. 41 provided for the complete set aside of all spray dried whole egg and limited the production of all frozen eggs, dried yolk, dried albumen and pan-dried whole egg to the amount produced in the previous year. The Order was effective in 126 plants. No amendments were necessary during the life of the Order; it worked no undue hardships on the trade and did the job for which it was intended.

Shortages relative to demands for domestic consumption were evident from the beginning of the season. In this connection every possible effort was made to meet individual problems and to allow production up to that of the previous year for the industry as a whole. In doing this, several different types of petitions were granted:





1. Shifts were made between different types of product within a company.
2. Shifts were made between quotas for different companies.
3. Dried whole eggs of a quality not satisfactory for governmental use was released for domestic consumption.
4. Quotas were raised to permit the breaking of under-grade eggs.

The Order was terminated on October 21, 1943. During the period when it was in effect supplies of eggs consumed by civilians were smaller than would otherwise have been the case. The Order diverted eggs to uses needed for government programs and consequently supplies available in early Fall were sufficiently large to make the termination of the Order feasible.

During the year beginning January 1, 1943, about 209 million pounds of dried eggs were delivered to government agencies, practically all of this amount was processed or contracted for under this Order.

#### WFO NO. 71 - TURKEYS

WFO No. 71 became effective August 2, 1943. It had been preceded by several development meetings, to plan procurement of 10 million pounds, or more, of turkeys for delivery at shipside in ample time for use over-seas for Thanksgiving, Christmas and New Year. The advanced delivery date required for this shipment necessitated an order under which all turkeys slaughtered were to be set aside to be held for delivery to the armed forces.

The order prohibited the sale, purchase, or processing of live or dressed turkeys except as authorized by designated governmental agencies. It applied to marketings of the 1943 crop of turkeys and affected producers, processors, packers, wholesalers, retailers, restaurants, hotels, dining car operators and civilian consumers, without regard to contracts made prior to the effective date. The order included no restrictions on turkeys stored before August 2 thereby giving holders of storage turkeys an opportunity to dispose of stocks on hand before ceiling prices as established by Office of Price Administration were seasonally reduced.

The order was amended on August 17 to include all turkeys in cold storage under the set-aside provision of the order. On August 23 it was further amended delegating greater authority to the Regional Directors of the Food Distribution Administration to consider petitions for relief from hardship in cases where the turkeys were released and placed in storage, used for canning or sold to processors who placed them in storage or used them for canning. Also the Regional Directors were authorized to permit the sale of live turkeys for breeding purposes.

Within a few weeks after the effective date of the order the Army started actual procurement of turkeys from processors and packers. Overseas shipments to the more distant ports started in September and continued through the season until the holiday supplies were provided for. As originally proposed the Army set a goal of 10 million pounds of turkeys for overseas use. This amount was later increased to include turkeys required for camps located in the United States. Thus a total of approximately 30 million pounds was secured under this program. This amount included commitments for delivery to the Army after the order was terminated.



Compliance was at first generally satisfactory. As the operation of the order continued, however, and with the approach of normal marketing season there was increasing evidence of noncompliance. Such cases were investigated by the Compliance Branch and appropriate measures taken. There was serious difficulty in administering the order in areas where slaughtering equipment was either not available, or not satisfactory for packing, freezing and shipping.

The order was nation wide applying to all processors and cold storage operators handling turkeys. Approximately 1,000 poultry processors were estimated to be operating under the order.

With the fulfillment of the military requirements for this commodity the order was terminated on October 25, 1943.

#### WFO NO. 91 - POULTRY

Due to over-all meat shortages during the fall of 1943, there was a strong domestic demand for poultry and much of this poultry was put into storage for use during the spring of 1944. Storage stocks of poultry were at a record high on January 1, 1944.

In spite of the heavy into-storage movement of poultry during the fall of 1943, the armed forces and War Shipping Administration were not able to build up backlogs of storage poultry for their use. The armed forces were short about 40 million pounds while WSA was short approximately 10 million pounds. The reasons for this condition were: (1) black marketing, and (2) an unfavorable price ceiling. In an attempt to meet the situation, the armed forces had attempted to use letter purchase orders carrying a priority rating of ER-9 but with little success.

Under combat conditions, the need for variety in the diet of our fighting men, which was afforded by poultry, became very important. In order to meet these needs WFO No. 91 was issued, requiring all chicken and fowl in cold storage except that held by owners of 3,000 pounds or less, to be set aside and held for delivery to the Quartermaster Corps or the War Shipping Administration. The Order, therefore, affected all cold storage warehousemen holding dressed poultry.

This Order was unique in that the operations of the Quartermaster Corps in connection with the procurement of poultry under the Order were outlined in detail. All dressed chickens over 2 pounds in weight (if eviscerated over 1-1/2 pounds in weight) and all dressed fowl were set aside; civilian use of such poultry was prohibited; and, removal from storage was banned except as provided by the Order.

The Order was very effective and the needs of the Armed Forces and the War Shipping Administration were filled without difficulty. As a result it was terminated April 3, 1944.

#### WFO No. 97 - HEN TURKEYS

WFO No. 97 became effective April 21, 1944. The Order was designed to procure 8 million pounds, or more, of dressed hen turkeys for use against Army requirements of 15 million pounds, or more, for shipment overseas for Thanksgiving. In areas designated under the Order, turkeys could be processed only by authorized processors and set aside and held for delivery to the Quartermaster Corps. Approximately 500 processors were authorized in the designated areas, with only a few cases where plants were refused authorization because they did not meet the sanitary requirements of the Quartermaster Corps.





In some instances, producers of turkeys were authorized to slaughter and deliver turkeys to a wholesale receiver or to a storage warehouse where they were set aside and held for delivery to the Quartermaster Corps.

The hen turkeys moved rapidly under the Order with the result that the Army procured in excess of 8 million pounds and the Order was terminated June 3, 1944.

Outstanding as a factor contributing to the successful operation of this Order was the prompt service given by the field staff of the Regional Supervisors.

#### MARKET NEWS

The purpose of the Market News Service is to collect and publish timely information regarding supply, demand, movements, prices, price-quality relationships, and other related market information for use in planning and conducting marketing operations. Such information is also used extensively by Governmental agencies in connection with price support programs, food orders, rationing, priorities, and general research work.

Since most of the commercial services are local in nature, and thus do not fully serve industry needs, there has been a growing demand for expansion of the Federal service.

Such need is further emphasized by the long established custom in the dairy and poultry industries of relying upon published market quotations as a basis for buying and selling operations. The estimated annual cash farm income from dairy and poultry products is approximately 3 billion dollars, a substantial portion of which is directly influenced by published market quotations.

Over a period of time, changes in the marketing structure, due to direct marketing by the cooperative associations and other organized groups, direct buying by large retail distributing concerns, mergers, etc., have created need for different types of information, and at different stages in the marketing process than formerly available. These have caused adjustments to be made, but with the advent of the war and the ensuing Government regulations, numerous new problems have arisen. Further adjustments have been necessary due to changes in grades, compulsory grade and price regulations of the OPA, fixed margins, food orders, and other conditions such as "black markets" and the tendency to upgrade products.

A reduction of Federal market news funds at the beginning of the fiscal year resulted in discontinuance of the Federal-State service at New Orleans, and discontinuance of locally published reports at the Seattle office, on July 1, 1943. Due to general demand, provision was made in the 1944-45 appropriation for market news whereby the former service will be resumed at both points.

An effort was made during the year to further adapt the market news service to rapidly changing conditions, and to broaden the coverage, both as to sources of information and types of information released. This was done insofar as existing limitations of personnel permitted, and included the following:

Assignment of a full-time market news man to the Los Angeles office; publication of information regarding War Food Orders, OPA regulations, price support programs, Government purchases, etc; inauguration of a special daily report at Chicago showing purchases currently made by the Army Quartermaster Market Center at Chicago; by grade, price, and point of delivery; inauguration of a weekly report of movements of butter and eggs into retail channels was made at San Francisco; making preliminary arrangements for similar work at Los Angeles; extending the coverage of sales used in reporting wholesale prices; adaptation of egg price reporting to current practices of Government buying agencies and in keeping with U. S. standards and grades for eggs; expansion of terminal market receipts to





include frozen eggs and live poultry at additional markets; compilation of receipts of live poultry according to class; addition of price information on foreign types of cheese at New York and Chicago, and casein at Chicago; making a preliminary study of the possibility of reporting current butterfat prices in the Chicago market; taking steps to improve the report covering weekly marketing of eggs and live poultry by producers at country packing plants in the Central Western States; extending coverage of the weekly summary released at Philadelphia covering average daily deliveries per dairy to include all principal dealers representing approximately 9,000 herds; organization of a project to survey the coverage in the report of receipts of milk, cream and condensed milk in the Boston metropolitan area; inauguration of a new weekly review of egg and poultry markets; and revision of daily, weekly and monthly market reports in order to stimulate greater usefulness.

#### Field Organization

Market news reports were issued during the year at the following cities; New York, Chicago, Philadelphia, Boston, Baltimore, Pittsburgh, Detroit, Denver, San Francisco, Los Angeles, Portland and Washington, D. C. The service at Baltimore was conducted jointly with the Fruits and Vegetables Branch. Dissemination of information at Detroit and Washington was handled exclusively through press and radio reports. Information assembled by the above offices of interest to local producers and distributors has also been published in reports issued by several State Departments of Agriculture, including Virginia, North Carolina and Ohio.

#### Federal-State Agreements

Cooperative agreements on market news were in effect during the year with California, Michigan, New York and Virginia. The California agreement covered the entire market news program in that State. In Michigan the work related to terminal market receipts and prices of Government graded eggs only at Detroit. Cooperative work in Virginia, which was previously handled in the Richmond Office of the Virginia Division of Markets, was temporarily discontinued during the year, on account of the personnel situation. The New York agreement applies to live poultry only at New York City. Due to the reduction of Federal funds, the agreement in Louisiana was not renewed for 1943-44. Preliminary negotiations for cooperative work with the State of Washington were initiated.

#### Inter-Branch Cooperation

The issuance of dairy and poultry market reports at Baltimore, Pittsburgh and Denver has been handled through an informal cooperative arrangement with the Fruits and Vegetables Branch. Resumption of the service at New Orleans, which is to take place during 1944-45, will also be on this basis. In most field offices of the Division, the local representative handling market news is also associated with the grading service. In addition to the above, local storage movement information in several markets is assembled for the Market News Division by other offices of the Office of Distribution. Shortages of personnel have required the working out of numerous informal arrangements for handling the field work of the Division. Full-time market news men for dairy and poultry work are maintained at two markets only, Chicago and Los Angeles. Development of the service to its fullest possibilities will require the removal of existing personnel limitations in all markets where market news offices are located.

#### Market News and Federal Milk Orders

Illustrative of one of the official uses made of information originating in the market news service are Federal Milk marketing agreements and orders. According to the terms of a number of these orders, prices of certain classifications of fluid milk are determined by means of a formula which in part uses published





market news service prices.

### Field Office Contacts

Each of the field offices of the Division was visited at least once during the year. One conference of field office representatives was held in Washington, at which all except the Pacific Coast offices were represented. At this meeting market news problems resulting from the war and war emergency measures were fully discussed, and policies relating to price reporting, coverage, industry relationships, trade contacts, preparation and dissemination of market news were further developed and re-emphasized.

### INSPECTION AND GRADING

In the preparation of this report consideration has been given to the fact that the work of the Inspection and Grading Division is on a self-supporting basis. It is necessary, therefore, to make available the services of various State Departments of Agriculture by means of Federal-State cooperative agreements in order to adequately handle the volume of work for which this Division is responsible. In this connection Federal-State trust fund agreements have been completed with the following States during the fiscal year 1944, in addition to renewals of agreements effective in previous years:

- Rhode Island - Federal Trust Fund Agreement AMA(A)-64, effective July 1, 1943, covering butter, cheese, eggs and poultry. This agreement is with the Department of Agriculture and Conservation and Extension Service of the Rhode Island State College.
- Idaho - Federal Trust Fund Agreement AMA(A)-67, effective August 1, 1943, covering butter, cheese, eggs and poultry. This agreement is with the State Department of Agriculture and the Extension Service of the College of Agriculture, University of Idaho.
- New Mexico - Federal Trust Fund Agreement AMA(A)-79, effective November 1, 1943, covering butter, cheese, eggs and poultry. This agreement is with the College of Agriculture and Mechanical Arts.
- Georgia - Federal Trust Fund Agreement AMA(A)-80, effective March 1, 1944, covering butter, cheese, eggs and poultry. This agreement is with the College of Agriculture, University of Georgia.
- South Dakota - Federal Trust Fund Agreement AMA(A)-83, effective March 1, 1944, covering butter, cheese, eggs and poultry. This agreement is with the Extension Service, State College of Agriculture.
- North Dakota - Federal Trust Fund Agreement AMA(A)-84, effective February 15, 1944, covering eggs and poultry. This agreement is with the Poultry Improvement Board and the Extension Service, North Dakota Agricultural College.
- Vermont - State Trust Fund Agreement AMA(A)-82, effective February 1, 1944, covering butter, cheese, eggs and poultry. This agreement is with the State Department of Agriculture.
- Maine - State Trust Fund Agreement AMA(A)-59, effective July 15, 1943, covering butter, cheese, eggs and poultry. This agreement is with the State Department of Agriculture.





With the inclusion of these agreements, Federal-State agreements are now in effect with all States with the exception of Wisconsin and Nevada. The work in Wisconsin, however, is carried on through an agreement other than the State Department of Agriculture and the Extension Service. In the State of Nevada a special agreement covering the grading of turkeys is in effect. It is to be pointed out that during the war emergency the various States with which we have signed agreements have been most helpful in the handling of the multitude of assignments which have been given us in the program of inspection and grading. This assistance in carrying forward a difficult task will, no doubt, result in a wider acceptance of the grading programs in the future.

As was the case in the previous fiscal year, the work of the Inspection and Grading Division was affected to a considerable extent by the demand for grading service on account of purchases of dairy and poultry products by governmental agencies and others in connection with the war effort. In addition to the work previously handled for governmental agencies, arrangements were consummated with the War Shipping Administration to inspect and certify dairy and poultry products for that Administration at ports of embarkation. At the present time this service is being rendered at the following points: Portland, Maine; New York, New York; Philadelphia, Pennsylvania; Baltimore, Maryland; Norfolk, Virginia; Charleston, South Carolina; Savannah, Georgia; New Orleans, Louisiana; Galveston, and Houston, Texas; San Francisco and Los Angeles, California; Portland, Oregon; and Seattle, Washington. Since the War Shipping Administration will, no doubt, be continued at the conclusion of hostilities, it is felt this service will offer a splendid opportunity for a continuing program in the post war period.

Due to the endeavor on the part of the Office of Price Administration to eliminate the upgrading and black marketing of butter, arrangements were entered into with that Administration to render butter grading service on a nation-wide basis, to check grade such butter at various shipping points and terminal markets. In the course of this operation it was found that some discrepancies existed between grades which were being established by Army personnel compared to those established by the War Food Administration. As a result arrangements were consummated with the Army Quartermaster Market Center for the purpose of check grading with Army inspectors product accepted for the Armed Services by the Veterinary Corps. It is hoped that through this working relationship a closer and more effective liaison may be established, resulting in more amicable relations as they relate to the grading and inspection performed by this Administration and the Army Veterinary Corps.

Cooperation which was carried on with the O.P.A. to eliminate the upgrading and black marketing of butter was also carried forward during the fall of 1943 in connection with live poultry in the Del-Mar-Va. area. Since the Army was acquiring product in this particular section for dressing purpose, it was felt necessary to eliminate the black marketing of this product so that the Army would have available sufficient poultry for dressing operations. This program was carried forward for a period of approximately three months in order to enable the Army to obtain its supply, and this poultry was accepted on the basis of the Tentative U. S. Standards for Live Poultry. The grading was done by graders assigned from the Inspection and Grading Division. Reports received from dressing plants indicated that the live poultry grades were closely correlated with the dressed grades of the finished product which was purchased by the Army.

The grading of dairy products under various set-aside orders to determine compliance with contract specifications was carried forward as during the previous fiscal year. In addition to the work which was done in regard to the grad-





ing of product purchased under set-aside orders, it is to be pointed out that assignments were made of butter graders to various plants which were designated to convert previously purchased butter into butter oil and Carter's Spread. Tabulations as to the amount of product prepared under this program are listed in the attached schedules of product graded, showing quantities in excess of one hundred million pounds. This program was a continuous supervision program, with graders assigned to the plants who not only supervised the sanitary operations, but also check graded all product received for conversion into butter oil and Carter's Spread.

The assignment of regional supervisors for the purpose of maintaining uniform interpretation and application of the U. S. standards on dairy and poultry products was further developed through the assignment of a poultry products supervisor in the West Coast area located in San Francisco. This regional supervisor operates in a joint capacity in connection with poultry inspection and poultry grading services. It should be pointed out that the supervision of the dairy and poultry products grading work in the Pacific Coast Region was considerably expanded through the consolidation of this region with the former Rocky Mountain Region. In the case of the Midwest and Great Lakes Regions, it was felt desirable to maintain a field office at Des Moines, which was formerly the regional office, since the volume of product graded in this area has been exceedingly heavy and required the services of additional supervisors in order to adequately maintain uniformity of operations.

The increased purchases of dairy and poultry products by governmental agencies on the basis of U. S. standards of quality created a demand for resident samplers in the milk drying plants. This procedure was adopted in order to expedite the sampling of product and the transmission of such samples to the Chicago laboratory for analyses.

The program in connection with eviscerated poultry indicates a definite trend towards inspection of product canned for use by the Armed Forces. This program has been considerably affected by O.P.A. price regulations, and at this time it is not entirely clear what the trend in this direction may be. Further clarification of price in connection with this product is likely to result in greater increased demand for this service. In connection with this program it was deemed desirable to establish a research laboratory for poultry diseases. This arrangement was recently consummated and the work has been started in cooperation with the Bureau of Animal Industry in Washington, D. C. It is hoped this work will result in a better understanding of poultry diseases and condemnations in connection with the eviscerated program.

During the above mentioned period 97 grading schools were held covering both dairy and poultry products, with a total attendance of 1,452 individuals. These schools were primarily for the purpose of training and qualifying additional graders and samplers.

Requests for appeal gradings on previously graded product totaled 11. Of this number 9 reversed the original grading and 2 upheld the original grading.

There are attached to this report two schedules indicating the comparative gradings of products for the fiscal years 1942 and 1943, together with the fiscal year 1944, the latter figures being partly estimated. There is also attached a schedule showing the number of gradings made by commodities, the quantity graded, the amount of fees collected (cash and contract), also the amount of laboratory fees which were collected in connection with the analyses of the various products as shown on this report.



\$13,166.26 has been deposited to Miscellaneous Receipts as of June 30. An estimate of outstanding amounts to be credited will amount to approximately \$5,800.00, making a total of \$18,966.26. Customarily a sufficient amount is deducted from the various trust fund accounts and deposited to Miscellaneous Receipts to supplement actual deposits in order that the final actual return to Miscellaneous Receipts for dairy and poultry grading and inspection work will result in returning to the Treasury Department 100 percent of the funds appropriated for this work.

The total receipts for 1944 are less than the total receipts for 1943. However, this does not actually reflect a reduction in the amount of work performed, but is due to the fact that a number of graders who were previously carried on the Federal payroll were placed under surety bond performance. Under this arrangement salaries are not collected from the firms and paid into the trust fund account, but are paid direct by the firm and we collect only an administrative overhead charge.





GRADINGS AND INSPECTIONS ON  
DAIRY AND POULTRY PRODUCTS - FISCAL YEAR 1944

COMMODITY	NUMBER GRADINGS	QUANTITY GRADED (Partly Estimated)	FEES	
			CASH & CONTRACT	LAB FEES
Butter (lbs.)	29,700	375,117,782	\$ 88,991.52	
Cheese (lbs.)	11,455	243,351,688	97,446.52	35,906.00
Eggs (cases)	40,995	8,341,723	292,628.82	
Dressed Poultry (lbs.)	10,197	87,709,839	39,038.83	
(Shipping point & Term. Mkts.)				
Dressed Poultry (lbs.)	26,036	193,736,136	291,067.38	
(Inspected for condition & wholesomeness)				
Live Poultry (lbs.)	2,416	18,820,073	6,580.50	
Dressed Turkeys (lbs.)	2,116	51,403,795	5,331.61	
Frozen Eggs-Graded (lbs.)	286	11,488,429	4,429.35	773.50
Frozen Eggs-Inspected (lbs.)	335	4,049,272	4,113.58	
Dried Eggs (lbs.)	11,323	263,101,337	110,546.69	93,139.05
Dried Skim Milk (lbs.)	5,685	361,166,373	65,390.03	52,591.90
Evaporated Milk (cases)	2,279	13,395,818	22,999.18	15,695.60
Butter Oil (lbs.)	286	12,746,031	7,405.00	3,305.00
1/Butter for Butter Oil (lbs.)	412	18,465,822	-	-
Carter's Spread (lbs.)	873	49,804,900	32,073.13	6,155.00
2/Butter for Carter's Sp. (lbs.)	988	55,721,817	-	*
3/Contract fee			298,729.72	
			1,366,821.86	207,566.05
Total fees - Cash, Contract & Lab -				\$1,574,387.91

1/ Fees included in Butter Oil tabulation.

2/ Fees included in Carter's Spread tabulation.

3/ This figure represents fees collected on contract basis for all Dairy and Poultry contract operations for period January 1 to June 30, 1944. Fees for period July 1 through December 31 were prorated by the various products and are included in the fees for those products.

Note: The Butter Oil and Carter's Spread operations are new activities which started about January 1, 1944.



INSPECTIONS AND GRADINGS MADE BY  
INSPECTION AND GRADING DIVISION, DAIRY AND POULTRY BRANCH

COMMODITY	FISCAL YEAR 1942	FISCAL YEAR 1943	FISCAL YEAR 1944 (Partly estimated)
Butter (lbs.)	333,766,655	443,494,164	375,117,782
Cheese (lbs.)	350,028,906	216,391,348	243,351,688
Eggs (cases)	5,517,953	5,550,894	8,341,723
Dressed Poultry (lbs.) (Shipping point & Term. Mkts.)	27,068,227	44,950,843	87,709,839
Dressed Poultry (lbs.) (Inspected for condition & wholesomeness)	115,042,897	163,855,548	193,736,136
Live Poultry (lbs.)	1,187,701	1,511,331	18,820,073
Dressed Turkeys (lbs.)	52,182,867	67,124,483	51,403,795
Frozen Eggs-Graded (lbs.)	66,602,398	21,682,142	11,488,429
Frozen Eggs-Inspected (lbs.)	2,234,220	6,987,043	4,049,272
Dry Skim Milk (lbs.)	185,359,943	290,333,338	361,166,373
Evaporated Milk (cases)	37,917,146	8,094,123	13,395,318
Dried Eggs (lbs.)	138,896,111	227,741,197	263,101,337
Butter Oil (lbs.)	-	-	12,746,031
Butter for Butter Oil (lbs.)	-	-	18,465,822
Carter's Spread (lbs.)	-	-	49,804,900
Butter for Carter's Sp. (lbs.)	-	-	55,721,817

NOTE: The Butter Oil and Carter's Spread operations are new activities which started about January 1, 1944.





## CONTRACT DIVISION

General

The Contract Division of this Branch was in operation until about April 17, 1944, at which time its functions and personnel were taken over by the Procurement and Price Support Branch. The operations of this Division, in cooperation with the commodity Divisions, were to carry out the procurement and diversion of dairy and poultry products.

The Contract Division was also entrusted with preparing packaging specifications and the requirements for suitable containers to be used in packaging dairy and poultry products for civilians as well as lend-lease purposes. Other functions were to assist in the development of plans for procurement of motor transportation facilities for dairy and poultry products, and to supervise the inspection for the packaging of dairy and poultry products for lend-lease purposes.

Poultry Products

During the period from July 1, 1943 to June 30, 1944, approximately 217,870,803 pounds of dried whole eggs were purchased at the value of over \$229,814,780. Practically all of the product was packed in 5 oz. consumer packages or the 14# packages for shipment to England and Russia. Small quantities were distributed to friendly nations and to some of our territories and possessions.

In the late winter and spring of 1944 favorable weather conditions advanced the egg marketing season two or three weeks earlier than normal, and due to heavy production it was necessary that the government purchase approximately 6,200,000 cases of eggs under the price support program.

A marked egg case shortage developed requiring assistance by this Branch in having many egg cases manufactured and distributed. A shortage of storage was a great handicap requiring the utilization of many make-shift types of storage for the preservation of eggs that had been purchased. Many of these eggs were broken and frozen under contract to be used for drying operations later in the season.

Dairy Products

During the fiscal year of 1944, the Office of Distribution, including Dairy Products Marketing Association, purchased approximately 90 million pounds of butter, 261 million pounds of cheese, 274 million pounds of skim milk powder, 38 million pounds of whole milk powder, 519 million pounds of evaporated milk, and 83 million pounds of sweetened condensed milk.

All of these purchases were required supplies for lend-lease and emergency programs. During this period, many millions of pounds of butter were processed into Carter's Spread which is a product made up primarily of butter to which has been added hydrogenated vegetable oils and various preservatives in order that a product would be produced which could be kept in hot climates for which butter was not suited. In addition to this product, approximately 40 million pounds of butter oil was manufactured from surplus butter stocks to be used in areas where it was difficult to transport butter as such.

A contract was entered into to package an 8 oz. tin container with dried non-fat milk solids for shipment to England under lend-lease. This was the result of considerable experimental work in the development of a suitable container that was capable of keeping the product in the best condition for export



shipment. With a perfection of packaging machinery and operation, there is much promise for this product.

#### Other Activities

During the year, considerably increasing difficulties arose as to most types of containers. A shortage in the production of wood produced effected the manufacture of wooden as well as fibre containers. Considerable effort was spent in assisting processors of dairy and poultry products to obtain suitable containers at the proper time.

A program for the construction of milk trailer and truck tank units was developed resulting in a program providing for the construction of more than 200 such units. This plan resulted in over-coming a very serious transportation problem in the movement of fluid milk. Assistance was also rendered truck operators in obtaining necessary truck equipment to transport dairy and poultry products.

